EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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THE WORLD
A harder side to the soft landing
Page 16

World News

Japanese PM to dissolve Diet ahead of election

TOSHIKI KAIFU, the Japanese Prime Minister, was expected today to dissolve the Diet and call a general election for February 18.

The poll will present the most important test of popularity for the ruling Liberal Democratic Party since its foundation in the 1950s. Page 4

Kashmir death toll

Armed militants in India's north-western state of Kashmir said they planned to intensify guerrilla operations against Indian military and para-military forces and also said they would call for a campaign of civil disobedience. Page 4

Soviet withdrawal

Hungarian Prime Minister Miklos Nemeth said the Soviet Union had agreed to withdraw all its armed forces stationed in Hungary.

Czech police protest

Czechoslovakia's elite Red Beret police unit has protested to President Vaclav Havel about attacks and death threats it says it has received since it took part in crushing student protests in November.

Mongolian reforms

The Mongolian Communist Party, facing unprecedented popular pressure to reform, has for the first time promised elections for local party posts, reported the official East German news agency ADN.

Satellite relaunch

Space officials said they would try again today to launch Japan's first satellite to the moon after a technical problem prevented the blast-off with only 18 seconds to go.

Mariano Rumor dies

Five times Italian Prime Minister Mariano Rumor, a former Christian Democrat leader, has died of a heart attack at the age of 74, doctors said.

Mandela discussions

The release of jailed African National Congress leader Mr Nelson Mandela and the unbanning of the African National Congress will be discussed when the South African cabinet meets for the first time this year. Page 3

Sudan delays aid

Western aid agencies, saying Sudan's ruling junta is delaying vital food shipments to the war-torn south, plan to sidestep the military government and launch a major relief operation in areas controlled by rebels.

Stoltenberg warning

West German Defence Minister Gerhard Stoltenberg was quoted as saying that the west should be prepared for the possibility of Soviet leader Mikhail Gorbachev being replaced.

Cow export rules

Britain will only be able to export live cows under six months old to other EC countries under new rules to halt the spread of Britain's epidemic of bovine spongiform encephalopathy, known as mad cow disease. Page 3

Swedish talks

Sweden should keep its policy of neutrality and maintain military spending roughly at present levels, despite the improvement in east-west relations, according to an official Swedish defence panel.

TGV for Belgium

Belgium finalised plans for a North European high-speed train (TGV) network to link Brussels to Paris, Amsterdam, Cologne and London via the Channel tunnel.

Cricket protest

Scores of workers at the Sandton Sun hotel in Johannesburg protested over the presence of the rebel English cricket team on a tour of South Africa

Business Summary

Australian rates cut fuels election speculation

Australia's key bank lending rates fell and the Australian dollar weakened after the Labor Government ordered a long-awaited easing of its restrictive monetary policy and triggered fresh speculation about an election. Page 18

NISSAN MOTOR, second-biggest Japanese car maker, is to consider measures to support Fuji Heavy Industries, struggling maker of Subaru cars, with which it has close links. Page 20

FIAT, Italian motor group, ended the 1980s with a 29 per cent rise in 1989 operating earnings, an 18 per cent rise in consolidated sales, a steadily increasing payroll and a net financial surplus. Page 19

MERRILL LYNCH, largest US securities house, is taking a $470m pre-tax charge against fourth-quarter earnings, giving the company its largest-ever loss in a year. Page 21

HILTON HOTELS, US hotel and gaming group which put itself on the auction block last August in the hope of attracting bids worth about $6bn, announced that it was considering alternatives to a full sale of the group. Page 19

INTEL, leading US chip maker, has formed a joint venture with NMB Semiconductor of Japan to manufacture and sell dynamic random access memory chips. Page 22

GENERAL ELECTRIC, leading US industrial and services conglomerate, reported good earnings and projected further steady improvements in the year ahead. Page 19

CITICORP, biggest US banking group, has expressed an interest in bidding for parts of the Bank of New England, seriously troubled bank which last Friday reported a $1.2bn fourth-quarter loss and $2.25bn of non-performing loans. Page 21

AMOCO, US oil and gas group, unveiled a 15 per cent drop in fourth-quarter earnings, to $319m or 62 cents per share. Page 21

BSN, acquisitive French foods business, has won clearance from the West German anti-trust authorities to take over Birkel, Germany's second-largest pasta maker. Page 20

BOND CORPORATION of Australia, under siege from various creditors, won an injunction preventing US holders of notes issued by its brewing company from pressing for it to be wound up. Page 22

EUROPEAN savings banks have pooled their skills to launch three joint mutual funds, to be managed in partnership and marketed in continental Europe. Page 23

MERCK, New Jersey drug company that has made enormous progress in introducing new products, announced a 20 per cent rise in fourth-quarter net income. Page 21

MORGAN STANLEY, leading US investment bank, reported sharply higher net income for 1989 with strong contributions from investment banking, trading and principal investments. Page 21

SHEARSON Lehman Hutton, US securities house in the process of a major recapitalisation, announced a 14 per cent rise in net income in 1989. Page 21

INTERNATIONAL Finance Corporation, World Bank branch which concentrates on private sector investment, is planning a $300m to $500m Eurodollar bond issue by mid-year if market conditions permit. Page 24

BOISE CASCADE, Idaho-based paper and forest products group, suffered a sharp fall in fourth-quarter earnings and predicted a further decline in earnings in 1990. Page 21

Israel 'near talks with Palestinians'

AGREEMENT is very near on the first direct talks between Israel and Palestinians, Mr Shimon Peres, Israeli vice premier, said yesterday, Reuter reports from Cairo.

"All parties do agree that dialogue in Cairo ... can be started rather soon ... We are very near an agreement," Mr Peres told reporters on arrival at Cairo airport.

Egypt and the US have for months been trying to bring Palestinians and Israelis to the negotiating table. But Palestinian representation has been a stumbling block.

Mr Peres said: "Our position today is that we are so near to starting a meaningful negotiation with the Palestinians, that it would be a fatal mistake to give it up."

His Labour Party rules in uneasy coalition with the right-wing Likud, hardline members of which oppose a proposal for elections which would be the subject of Israel-Palestinian talks.

Mr Yitzhak Shamir, Israel's Prime Minister, has proposed elections in the occupied West Bank and Gaza Strip as a way of finding Palestinian representatives for Israel to negotiate peace with.

Israel has been refusing to deal directly or indirectly with the Palestine Liberation Organisation which it brands a terrorist organisation.

The PLO, which says it is the sole representative of the Palestinian people, is adamant that it must name the Palestinian delegation to talks with Israel in Cairo. It also insists that Palestinians living outside the Israeli-ruled territories join the talks.

Mr Peres said there was strong support in the Israeli government for Palestinians deported by Israel from the territories to be included in the Palestinian negotiating team.

"I think we are agreed practically on most issues, including representation, and in representation there are one or two remaining issue which I believe can be settled," he said.

Earlier this month, Mr James Baker, US Secretary of State, indicated he was losing hope of achieving a breakthrough in Middle East peace talks and signalled that the US might drop its role as a peace broker. He has been seeking to open an Israeli-Palestinian dialogue on his five-point peace plan to settle the future of the occupied territories.


Peres: near agreement

France launches research scheme on 'green car'

By William Dawkins in Paris

FRANCE yesterday launched a FFr1.2bn ($205m) research programme into pollution-free cars, greeted by the country's vehicle industry as an important environmental initiative and a key to tackling foreign competition.

The scheme is being funded jointly by the Government, which will provide between FFr450m and FFr500m, with the remaining FFr700m-FFr750m coming from the PSA Peugeot and Citroen group and state-owned Renault.

In one of the most ambitious collaborative efforts by the French car industry, PSA and Renault, which together drew up the programme, will pool their efforts in seven individual project areas stretching over the next eight years.

These are: reducing pollution from conventional car engines, studying more efficient two-stroke engines, the use of alternative fuels such as natural gas and oxygen, gas turbines for cars, the electric car, hydrogen-driven engines, and high-power lightweight chemical batteries.

This programme, signed yesterday by the Government and the two companies' chairmen, will triple the French motor industry's current research spending on cleaner cars. It will also provide a useful boost to the two French car groups' general research budgets which, at FFr3.9bn per year each, are dwarfed by the equivalent of FFr10.4bn spent by Toyota or the FFr28.4bn of General Motors, which earlier this month unveiled its first electric car.

Mr Raymond Levy, Renault's chairman, said co-operation was needed to compete against Japan at a time when the French car industry was having to go through the costly process of adapting to new EC rules on exhaust pollution.

Mr Roger Fauroux, Industry Minister, said the new EC standards could stimulate the growth of a new industry to provide the equipment to meet the standards, but only if the financial means were made available. However, he said, it was unlikely France would launch tax incentives for cleaner cars as this could fragment the European industry.

The programme is open to participation by components suppliers and laboratories as well as to France's European partners.

Gorbachev confronted with dangerous split at heart of leadership

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev was yesterday facing a dangerous new split in the heart of his Soviet leadership while the revolt against martial law in Azerbaijan turned into a sniper war against troops.

The ruling Politburo of the Communist Party Central Committee failed on Monday night to agree on the Soviet leader's plans for sweeping reforms of the party, sending him back to draft new changes.

The 11-man ruling body decided simultaneously to postpone the plenum of the Central Committee until February 5 and 6, instead of the end of January as promised.

As the platform was known to have been drafted principally by Mr Alexander Yakovlev, Mr Gorbachev's most reformist ally in the politburo, observers in Moscow see any changes as a deliberate snub to the Soviet leader, who is facing a growing backlash from party conservatives and bureaucrats.

The reform platform is supposed to be presented to a crucial party congress in the autumn.

It is at this congress that Mr Gorbachev is hoping to transform the ruling body into a democratic organisation, probably laying the basis for a return to some form of multi-party democracy.

However, given the present ethnic upheaval in the Soviet Union, and the increasingly desperate prognosis for economic revival, the party conservative majority is reasserting itself to block further radical reform.

Already, at the last party plenum, Mr Gorbachev had to hint very strongly at his own resignation in order to sway opponents into line. The division in the Politburo suggests that the battle has only just begun.

The Central Committee of the party is deeply split, with conservatives wanting to use force even against the dissident but peaceful republic of Lithuania, while Mr Gorbachev and his supporters are loath even to use troops to stop race riots in Armenia and Azerbaijan.

There was no mention in the official communiqué of the growing confrontation between Soviet forces and Azerbaijani nationalists in the Transcaucasus, where the imposition of a state of emergency in the city of Baku has sparked an open national revolt by Azerbaijanis.

There are, none the less, growing indications that the Soviet authorities will negotiate formally with the Azerbaijani Popular Front, the national movement which has effectively seized political authority from the Communist Party in the republic.

Major-General Yevgeny Nechayev, deputy head of the political department of the Interior Ministry, whose troops make up the bulk of those attempting to restore order, told a press conference in Moscow: "We have to launch a dialogue with these organisations... We have to find compromises, to pursue our common affairs."

On the streets of the city snipers turned their guns on the occupying troops. "Killers' bullets are aimed at soldiers who have come here as defenders," Gen Nechayev said.

Two soldiers and a civilian woman were killed on Monday night when snipers opened fire on a convoy evacuating military families from the city, after leaflets threatened to

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EAST EUROPE IN FERMENT

■ In a special report on pages 7-10 Financial Times writers assess the effects of the political realignments that are reshaping East Europe. They look ahead to what might be in store politically and economically this year and investigate opportunities for western businessmen in the new social order emerging in these countries.

Ferranti to sell radar unit in bid for fighter deal

By Hugo Dixon and Charles Leadbeater in London

FERRANTI International, the troubled defence electronics group, yesterday agreed to sell its radar division to the General Electric Company of the UK in a last ditch bid to ensure that Britain produces the £2bn ($3.3bn) radar system for the planned European Fighter Aircraft.

The £310m deal comes only a day after it was suggested that Ferranti, which is struggling to recover from a £215m alleged fraud uncovered last September, may have been awarded the radar contract for the four-nation EFA project.

The deal, which is a coup for Lord Weinstock, GEC's managing director, follows about a fortnight of delicate industrial and political negotiations over the radar contract and Ferranti's future. According to a GEC director, the Ministry of Defence acted as "the benevolent father to the bride" in bringing the deal to a conclusion.

Ferranti agreed to sell the radar division, which is the heart of its business, after Britain's partners in the EFA project voiced mounting concern that the company would not be able to finance the radar development.

The radar system is central to the £20bn EFA programme. There was concern that if Ferranti took on the project alone it may have been unable to shoulder the full costs and this could have thrown the whole EFA plan into doubt.

The West German government is understood to have refused to go ahead with the Ferranti radar because it believed the company to be so disabled by the alleged fraud that it would be unable to carry through the project.

The MoD knew that GEC had offered to buy Ferranti's radar division and merge it with its own GEC-Marconi if the EFA contract was secured.

It judged that GEC's involvement would allay West German fears about the financial viability of a British radar.

The deal throws into doubt the UK's competition policy since it will create a single British radar manufacturer. Only last year the MoD fought to prevent GEC acquiring a large share of Plessey's defence business.

The Government, however, is likely to approve the deal on the grounds that defence procurement is becoming more international and that in the long run Britain could not support two radar manufacturers.

The deal gives Ferranti much needed financial stability.

But in return it loses its most valuable asset, which has traditionally been at the core of the group accounting for a quarter of its assets and a third of its order book.

Continued on Page 18

The UK Customs and Excise has started an investigation into Ferranti International's exports covered by the Department of Trade and Industry's controls on the shipment of sensitive military equipment. The inquiry is being conducted by the Customs and Excise investigation division, whose specialist officers are responsible for investigating large-scale frauds including illegal arms trades. Page 18

Dumenil to wind up UK trusts and return £33m to investors

By Richard Waters in London

A London-based unit trust company which is part of Mr Carlo De Benedetti's Cerus group is expected shortly to announce the winding up of its 11 trusts.

This would mark the highly unusual demise of a unit trust stable in the UK.

Dumenil Unit Trust Management, owned by Paris-based Banque Duménil Leblé, has decided in principle to wind up the trusts and return £33m ($53m) to 12,000 investors. However, it needs the approval of the two trustees, Midland Bank and Coutts, and City of London regulators before its plan can be put into action.

Dumenil's planned retreat follows the suspension of dealing in its units nearly three months ago, owing to chaos in its back office operations. Administrative errors had led to mistakes in how its units were priced, and hence the amounts that investors were paying or receiving for their units.

Mr Christopher Burrows, a consultant appointed by Banque Duménil Leblé to help sort out the back-office mess, said yesterday that there was no suggestion that investors would lose any money as a result of the errors.

"This is not a situation where people have misappropriated funds and bought yachts and gone to the Bahamas. The actual existence of the money is in no doubt," he said.

Mr Burrows refused to confirm that the company plans to wind up the trusts, saying that he would first tell unitholders of any decision.

He confirmed, though, that a decision has been taken, subject to approval by trustees and regulators.

Others closely involved in the case said that the plan was to wind up the trusts and repay investors.

The amount paid out would be the price when the units were suspended, plus any investment gains since.

The regulators' and trustees' approval is likely to depend on the adequacy of compensation arrangements for past unitholders who will have lost out through the errors in pricing their units.

This includes investors who sold their units before the suspension at what now turns out to have been the wrong price, as well as those who paid too much for units they are still holding.

A compensation package will be difficult to design.

Although much work has been done to reconstruct the group's records, it is understood that some gaps remain, making it difficult to assess the compensation due to some investors.

A two-month suspension in Dumenil's units, imposed by the Securities and Investments Board and the Investment Management Regulatory Organisation, is due to expire on 5 February. It is expected to write to unitholders before this, probably within the next week, to tell them of its decision.

The group had earlier imposed one-month suspension on itself.

Unit Trusts, Pages 34-37

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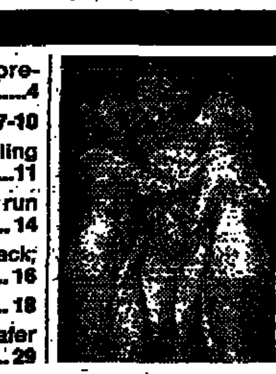

Searching for a saving grace

London's Victoria & Albert Museum, an unlikely knight errant, faces a daunting task: raising the £7.6m needed by March 12 to retain a national treasure, Canova's Three Graces (left). Page 17

MARKETS

STERLING
New York lunchtime: $1.6527
London: $1.6485 (1.6395)
DM2.7975 (2.8225)
FFr9.5025 (9.595)
SFr2.485 (2.51)
Y240.75 (240)
£ index 87.8 (88.2)

GOLD
New York: Comex Feb $413.7 (408)
London: $409.75 (405.25)

N SEA OIL (Argus)
Brent 15-day Mar $19.275 (19.55)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime: DM1.6962
FFr5.7665
SFr1.50775
Y146.025
London: DM1.6965 (1.722)
FFr5.765 (5.8525)
SFr1.5075 (1.5315)
Y146.05 (146.4)
$ index 67.6 (68)
Tokyo close: Y146.33

US lunchtime rates
Fed Funds $8\frac{1}{8}$%
3-mo Treasury Bills: yield: 7.92%
Long Bond: $97\frac{3}{4}$
yield: 8.32%

STOCK INDICES
FT-SE 100: 2,291.1 (−6)
FT Ordinary: 1,839.8 (−0.5)
FT-A All-Share: 1,150.91 (−0.3%)
New York lunchtime: DJ Ind. Av. 2,609.56 (+8.11)
S&P Comp 330.75 (+0.37)
Tokyo: Nikkei 37,378.02 (+121.01)

LONDON MONEY
3-month interbank: closing $15\frac{7}{16}$% (same)
Liffe long gilt future: Mar $87\frac{3}{4}$ ($87\frac{15}{32}$)

Financial Times writers examine the culture and history of the Soviet Union's warring southern republics of Armenia and Azerbaijan

Common sense of injustice unites Armenians the world over

By Haig Simonian in Milan

CLARE Zachanassian, the central figure in Friedrich Dürrenmatt's play, The Visit, returns to the village of her birth as the immensely rich widow of an Armenian entrepreneur bent on revenge against the young man who jilted her.

Dürrenmatt, a Swiss writer, may have had little affinity with Armenians, and his drama is directed more to the grasping Swiss than anyone else. But the twin themes of injustice and revenging personal tragedy could hardly be closer to Armenian hearts.

Of course, any talk of "national character" immediately runs into deep waters. Even more so when it applies to some 6m – roughly the number of Armenians around the world, divided almost evenly between those in the Soviet Republic of Armenia and in the diaspora.

But sweeping generalisations may be more forgiveable in the case of the Armenians than many other races. Whether it is a billionaire businessman in California, a small shopkeeper in Marseilles or even a party apparatchik in Yerevan, a common sense of grievance pervades them all.

Almost every Armenian has a story to tell of the 1915 genocide by the Ottomann Turks, which eliminated vast numbers of Armenians, then concentrated in eastern Turkey. My own father, born on the run in the middle of nowhere in May 1916, owed his survival to a sympathetic doctor, who instructed the soldiers accompanying the dishevelled convoy of deportees to run up a flag claiming the group had the plague. Murdering marauders kept at bay.

Even in the third generation after the massacres, Armenians still share a sense of loss, often nursed through the nightmare tales from their embittered grandparents. No matter how alien the old sepia photographs of long slain relatives seem today, the mustachioed men wearing fezes, like some Eastern version of middle-class Victorian manhood, and the women in the background with their voluminous frocks all bear witness to the richness of Armenian society at the turn of the century.

The genocide of 1915 was the culmination of a series of bloody conflicts between Christian Armenians and Moslem Turks that had occurred on and off for years. The causes are a sociologist's dream; relative affluence versus relative poverty; a commitment to trade and money in a social system opposed to usury; and perhaps genuine anxiety on the part of some Ottomann administrators that the Christian Armenians represented a potential fifth column in the war against Tsarist Russia.

That Armenians seem to have an uncanny propensity for getting themselves killed en masse, whether at the hand of bellicose neighbours or natural catastrophes like earthquakes, tightens the common bond. Thus for many Armenians, the latest bloody events in the Caucasus have the horrifying look of history repeating itself.

But the leitmotif in almost any conversation, whether between old friends or just chance acquaintances on an airplane, is more one of injustice than of revenge.

While West Germany offered generous financial assistance to the fledgling state of Israel to attone for the Holocaust, most Armenians are simply looking for some acknowledgement by the Turkey of today that the barbarities took place. Rather

Armenians seem to have an uncanny propensity for getting themselves killed en masse, whether at the hand of bellicose neighbours or natural catastrophes like earthquakes

than accepting the events – caused by rulers who have no link with the democratic Turkey of today – Ankara has refused to countenance any mention of the issue, let alone apologise. Indeed, there have even been attempts to foster spurious scholarship to muddy the waters.

For some crazed Armenians, the wound is so deep that it prompts senseless violence, witnessed in the brutal killing of innocent Turkish diplomats. Others look for more peaceful forms of expression. Lobbying of the US Congress by increasingly influential American Armenians to have April 24th - the Armenian day of remembrance - publicly recognised cause.

But the US debate shows how sensitive the Armenian question still is. Channelled by sympathetic politicians like Governor George Deukmejian of California, the lobbying has resulted in increasingly narrow defeats in Congress. Yet the debate has provoked hostile reactions in other corners of Washington, notably at a State Department concerned not to cause unnecessary friction in relations with strategically vital Turkey.

As striking as the Armenians' sense of grievance is their resilience. Many Armenians' apparent talent for making money – and the frictions it can arouse – invariably leads to comparisons with the Jews. There are certainly similarities; intelligence, diligence and – especially for the first generation of refugees – a tendency to keep one's head down and one's mouth shut. Likewise a gift for languages, often born of living in the multilingual communities of the Middle East or in centuries-old European trading centres like Venice. And many Armenians are infused with a more international outlook than might normally be expected from residents of their host countries.

The interlinkage of language and religion are also part of the formula. Whether a textile merchants from Manchester, an import-export trader in Frankfurt or a rug dealer in Milan, the common threads are strong. Many young Armenians in the diaspora still speak the language, although fewer can read or write its strange squiggles. And even when people have intermarried, a once or twice-yearly visit to church remains an important, if often incomprehensible, ritual.

Armenians clerics in the diaspora have grasped the changing role of the church as a social and cultural force at a time of delining belief. Seemingly inconsequential events like Sunday lunches, folk music or a visiting lecture in a church hall can serve a far more cohesive role than services in the past. And the fact that early Armenian immigrants, in Milan or Manhattan, saved diligently to build their churches illustrates the former force of faith. Sometimes, the knot can be tightened further by similar business interests. In the late 19th century, word of mouth and subsequent momentum drew substantial numbers of Armenians into the clothing trade in Manchester or diamond dealing in Antwerp. Although such links are breaking down, often on the back of the decline of those industries, there is still no lack of Armenians "in trade".

Will the Armenians one day lose their identity and readiness to make contact with one another, irrespective of their social or political differences? In the past, many Armenians in the diaspora tended to regard Soviet Armenia as something of a holy grail – a well of true "racial identity" at a time when those elsewhere ran the risk of dilution through the twin forces of integration and intermarriage.

Curiously, the converse argument was presented in Yerevan, where intellectuals would speak of the need for Armenians outside the republic to carry the flame. Dominated by things Russian, ambitious Soviet Armenians in particular saw little chance to retain their identity if they were to get on in the Soviet Union.

A man hold up a picture of his dead child during a funeral in Baku, the Azerbaijan capital

Turkey's Azerbaijani people prepare to demonstrate feelings of kinship

By Jim Bodgener in Igdir, near the Soviet border

THE 400,000 Azerbaijanis in the Araks valley in eastern Turkey who have strong feelings of solidarity with their Soviet cousins across the border, are determined to go ahead with a mass demonstration tomorrow, with or without Ankara's sanction.

"If only the government let us, all the fighting men of this valley would cross the Araks river into Azerbaijan to aid our kith and kin," said a villager in Kadikislak, 2km from the frontier. Most of the 615 villagers have relatives in the Soviet republic.

Two thirds of the Araks valley lies in Turkey – the remainder in Soviet Armenia, the river forming the boundary. After the demarcation of Kemal Ataturk's new Turkish republic in 1923, the Soviet Union moved the Azerbaijanis away from its side, and replaced them with Armenians.

Igdir is the main town in this fertile flood plain, patchworked with orchards, fields, and irrigation ditches, to the north of Mount Ararat, legendary last resting place of Noah's Ark. Horse-drawn carts crack the puddled ice of dirt streets lined by stalls and small shops. And all in its steamy tea houses, the heated talk is all of Azerbaijan.

Feelings have been inflamed by dramatic pictures on Turkish television of bullet-riddled corpses, grieving relatives and tanks rumbling through the streets in Baku.

"When Gorbachev went to Lithuania, he talked himself with workers and the people," said Mr Esat Yewil, a 65-year-old farmer in Kadikislak. "But in Baku they went in with tanks and guns killing people." Others in the village, however, maintained a belief in Mr Gorbachev's humanity and vision.

At Aralik close to the Nakhichevan border, townspeople demonstrated spontaneously on Monday with black, Turkish and Azerbaijani flags.

From the fog of rumour, local villagers in the area have come to believe that the US and French smuggled arms disguised as relief shipments to the Armenians during the Soviet Armenian earthquake disaster in December 1988.

Turkish Azerbaijanis welcome the idea that Nakhichevan – the Azerbaijani enclave bordering Turkey and Iran – might secede from the Soviet Union. Turkey should respond to its pleas for support, they said.

With feelings running high, Turkey has stepped up security on its side of the border, partly to forestall any refugees seeking to cross, according to Ankara sources. Troop levels have not been increased, but Turkey's 12km border section with Nakhichevan has been reinforced by rotating patrols.

"We don't want the Azerbaijanis to flee here – it is an independence struggle," said Mr Yaver Unsal, a leading member of Igdir's Azerbaijan support group. "But if there is no other way, Turkey should accept them, as we should accept all people in the same circumstances.

However, Turkish Azerbaijani hopes of closer links with their separated kin had been fuelled by the visit a fortnight ago of Azerbaijani premier Mr Ayaz Mutalibov to sign protocols on the borders and scientific co-operation and, a first for Soviet republics with Turkey, a cultural protocol.

Agreement was also reached in principle to open a border gate with Nakhichevan, as part of the general opening out of Turco-Soviet trade relations.

Azerbaijan: turbulent region with a history of foreign intervention

By Edward Mortimer

BAKU, under Caspian sunshine and before the mayhem of recent weeks, could have seemed a tranquil place, more prosperous than Moscow.

The surrounding countryside is flat and featureless but for a forest of ancient oil derricks on the outskirts of the city – relics of the late 19th-century oil boom which made Baku what it is, or was: a thriving, polyethnic metropolis, peopled largely by Russian and Armenian workers, at odds with its poor, rural and Islamic hinterland.

Soviet Azerbaijan, of which Baku is the capital, was part of Iran until the Russian conquest in the early 19th century. It was the northern part of the region bearing that name, the southern part centred on Tabriz being still part of Iran today. Both parts of Azerbaijan are inhabited mainly by Shi' ite Moslems, speaking the Azeri dialect of Turkish – probably about 7m on the Soviet and at least 14m on the Iranian side.

Shi'ism was originally imposed on Iran by the Safavid Dynasty, which came from Azerbaijan, in the 16th century. Today it provides a link between Persians and Azeris, whereas language links the Azeris to Turkey on the west and to Soviet central Asia across the Caspian to the east.

The Russian Tsars did not use the name Azerbaijan, governing the region as a patchwork of administrative units. These were brought together again as Azerbaijan, with Baku as its capital, when the Ottoman Turkish forces arrived there in the closing months of the First World War.

The new republic survived the defeat of Turkey by Britain in November 1918, became a Soviet republic in 1920, and part of the Soviet Union at the end of 1922.

At the centre of Baku is Liberation Square, devoted to a monument to the "26 Baku Commissars". These were the Bolshevik leaders of a premature Soviet government installed in the city in April 1918, at the height of the Russian Civil War and at a time when the rest of Transcaucasia was controlled by "bourgeois" nationalist movements.

Their names – a mix of Armenian, Azerbaijani, Georgian and Russian – reflect the genuine class basis of Bolshevism at that time, cutting across ethnic loyalties.

The Firt World War was then still in progress, and the Ottoman army was advancing rapidly towards the Caspian, profiting from the collapse of the Russian front.

The beleaguered revolutionary government in Moscow had just made peace with Germany, but was unable to get Germany's ally, Turkey, to abide by the terms of the treaty. Nor was it in any position to send effective military help.

The only force which seemed likely to be able to resist the Turks was the British "Dunsterforce" under General Dunsterville (the model for Kipling's Stalky and Co), advancing northwards from Iran. The Bolsheviks refused to invite the British in, but their government was overthrown, on July 31 1918, by a coalition of all the other parties: Socialist Revolutionaries, Mensheviks, Armenian Dashnaks and Azerbaijani "Musavatists", supported by the Caspian Seamens' Union, Tsentrocaspii.

The 26 Commissars were expelled from the city and shipped across the Caspian to Central Asia, where they fell into the hands of anti-Bolshevik Socialist Revolutionaries and were shot on September 20 1918 near Krasnovodsk.

Meanwhile, "Dunsterforce" entered Baku on August 4, only to withdraw a month later, having decided that the city was indefensible. On September 15 the Turkish troops arrived. A massacre of Armenians followed, partly in revenge for the suppression of a Moslem revolt six months earlier by Armenian nationalists (at that time allied with the Bolsheviks).

The Musavat – an Azerbaijani nationalist party – welcomed the Turks, and was able for the first time to establish Baku as Azerbaijan's national capital. Its power survived the defeat of the Ottoman empire and the return of the British when the war came to an end in November.

The British saw the Musavat as an authentic local nationalist movement enjoying majority support in the hinterland, if not in Baku itself, and more reliable as a bastion against Bolshevism than the Armenians.

Perhaps for that reason, a British officer, General W.M. Thomson, prevented an Armenian partisan commander from uniting the Armenian-inhabited enclave of Karabakh with Armenia proper, instead appointing a local Azerbaijani landlord as provisional governor-general. (The region had been linked administratively to its Turco-Moslem hinterland under Tsarist rule, although at that time the name Azerbaijan was not used.)

The British withdrew in autumn 1919, following the defeat of their White allies in the Russian Civil War. In April 1920, the Bolsheviks again seized power in Baku, and this time Moscow was able to send immediate help: the first detachments of the Red Army arrived on April 30. Soviet Azerbaijan became the base from which Soviet power was subsequently extended to Armenia (December 1920) and Georgia (February 1921). In 1922 the three joined together in the Transcaucasian Soviet Federated Socialist Republic (TSFSR), which in turn joined the Soviet Union.

Nagorno-Karabakh and Nakhichevan were ceded to Armenia in December 1920, in a gesture of fraternal solidarity perhaps intended to reconcile Armenians to the imposition of Soviet rule, but restored to Azerbaijan by Stalin (Commissar of Nationalities in the Russian government) in July 1921 – by which time the Bolsheviks were more concerned to cement their alliance with the Turkish nationalist movement of Mustafa Kemal – a fellow-opponent of Western "imperialism" whom they may have seen as a potential convert to communism.

The Bolsheviks sought to extend their power southwards into Iran, encouraging separatist movements in Iranian Azerbaijan and neighbouring Gilan, at the southern end of the Caspian.

The rise of Reza Shah put a stop to this, but Stalin tried again when his forces occupied northern Iran, by agreement with the British, during the Second World War. An autonomous "democratic" (ie, Communist) government was set up in Tabriz under Soviet protection in 1946, but was suppressed by Mohammed Reza Shah after the withdrawal of Soviet troops later in the year.

For most of his reign, Radio Baku beamed Communist propaganda into Iran, but the Azerbaijani separatist element was played down. As far as is known, Soviet Azerbaijan gave no support to the brief revolt in Tabriz in December 1979 by supporters of Ayatollah Kazem Shariatmadari, himself an Azerbaijani and seen at the time as a possible rival to Khomeini.

If today's separatist movement in Soviet Azerbaijan takes on a strongly Islamic tinge, it may look to Iran for support.

If on the other hand, as at present seems to be the case, it emphasises the idea of Azerbaijan as a nation, artificially divided by Russian imperialism, this will arouse misgivings in Tehran as well as Moscow, but will find a sympathetic echo in Ankara.

Common rules for takeovers in the EC begin to take shape

By Tim Dickson in Brussels

PROPOSALS FOR a common set of European Community takeover rules are to be altered by Brussels after last week's adoption of several detailed amendments in the European Parliament.

The move should be seen as part of the early institutional skirmishings which take place during talks about any draft directive affecting the EC's single market programme. But, as in other key areas of financial services legislation, the views of the Strasbourg assembly even at this stage could influence the final shape of this eagerly awaited measure.

The aim of the so-called 13th company law directive is to govern the way in which European takeovers are conducted. The proposal lays down a large number of rules and principles covering such things as equal treatment for shareholders, the need to prevent boards of targeted companies unfairly frustrating unwelcome bids, and the circumstances in which full takeovers become compulsory (on this point stakes which exceed at most 33⅓ per cent would trigger a bid for 100 per cent of the company in question).

Of most concern to the UK – and a problem highlighted by the director general of the London Takeover Panel in front of a European Parliament committee last year – is the fact that, once adopted, the directive will have statutory backing in the member states and thus bring to an end the informal non-statutory British approach to the regulation of bids and deals.

That point was not addressed at Strasbourg this week, but among those that were, at least four amendments have been accepted in full or in part by Mr Martin Bangemann, the Internal Market Commissioner, and will therefore be included in a revised proposal to be put before the next EC Council of Economics and Finance Ministers. The four amendments are to:

- Limit the field of application of the draft directive to companies quoted on a Stock Exchange, a change which is likely to be accepted happily by most member states.
- Require predators to explain how they intend to finance their bid, and what the financial implications of a successful takeover will be for the target company.
- Allow companies to call an extraordinary general meeting during the offer period in which case "the takeover bid shall be suspended from the day on which this meeting is called to the day after it is held".
- Set down a number of guiding principles for the supervisory authorities in each member state, though not to the extent of providing the flexibility to waive detailed rules which the UK has been seeking.

The significance of all this depends very much on where you stand. In practical terms the only seriously controversial amendment is that relating to EGMs, seen by many as a potential "poison pill" and inserted under strong pressure from Bonn.

For Mrs Nicole Fontaine, the French Christian Democrat MEP who chairs the Parliament's Legal Affairs Committee, meanwhile, Mr Bangemann's endorsement of Strasbourg's revisions is a welcome boost to the "co-operation procedure" which is a key part of EC decision taking on the internal market.

Under the limited powers granted by the Single European Act, European Parliament amendments are only effective at the First Reading if they are supported by the Commission.

As with the ideas accepted by Mr Bangemann last week, they are then considered by the Council of Ministers, the main decision-taking institution, as it struggles to reach a so-called common position.

If the Council rejects Parliament's ideas during negotiations, the same amendments can be reinstated at the assembly's "second reading". Again Commission support is crucial at this stage, for if it is forthcoming the Parliament's second "opinion" can only be vetoed in the Council on a unanimous vote.

Serbs rally to ghosts of Tito and Lenin

Judy Dempsey reports on the battle over the future of communism in Yugoslavia

THE LATE President Josip Broz Tito created a unified Yugoslavia after the Second World War by repressing national and ethnic differences in the six republics and subjugating them to the diktat of the ruling Communist party.

One issue was sacrosanct to Tito: party unity. Or more precisely, democratic centralism, the Leninist principle which ensured and demanded absolute discipline throughout the ranks of the party.

It was this principle which the Slovenes broke at the Federal party congress on Monday night and which precipitated the breakup of the League of Communists of Yugoslavia (LCY).

The omens were there as early as Saturday, when the congress opened. The Slovenes tried to have the meeting's draft document foisted immediately on the congress. This document, which spelt out the party's future political role and ways to make the transition from a one-party state to a multi-party system, would then have become the basis for discussion.

The Slovenes also proposed that the party be transformed into a League of Leagues; giving the parties in the six republics and two provinces virtual autonomy from the Federal party. Lenin and Tito would have turned in their graves. As it happened, they could rely on the Serbs, who, guided by the hand of Mr Slobodan Milosevic, the conservative and nationalist, rallied the party faithful. The draft document was sent down into a commission and heavily diluted.

By Monday afternoon, the tide continued to flow in favour of the conservatives. Proposals by the Slovenes to change the party's name, to give the parties in the republics more autonomy and to change the organisation into a genuine political party were overwhelmingly rejected. However, congress, as expected, did scrap the principle of the party's leading role.

But even that decision paled into insignificance as the congress flatly refused to open the party to genuine democratic practises. Instead of seizing the opportunity for reform before free elections this spring, the party wrapped itself in Lenin's ideological cloak.

In the sense of maintaining party unity the Serbs are ideologically sound. But critics might find a touch of disingenuousness in their soundness.

Mr Milosevic fears that once the genie of a multi-party system is released from the bottle, it will lead to a political system along ethnic and nationalist lines. Yet last year he released a torrent of Serbian nationalism in his determination to regain direct control over Kosovo, the autonomous province which Tito carved out of Serbia in 1974 precisely to curb the dominance of the Serbs throughout the Federation.

In addition, Serb communists know that a multi-party system would end communist rule. That is why Mr Milosevic arranged to hold elections well before schedule last November, to guarantee the party's monopoly for a few more years.

For the Slovenes, the end of communist rule was just a matter of time. They found themselves in the same position as their fellow communists in the Soviet Republic of Lithuania.

The congress flatly refused to open the party to genuine democratic practises. Instead of seizing the opportunity for reform before free elections this spring, the party wrapped itself in Lenin's ideological cloak

Both parties are under pressure from the growing number of new political movements at home and in April, the Slovene communists must face the electorate in the republic's first free poll in 45 years.

Had they returned to Ljubljana with a compromise document, they would have been decimated at the elections. So in a sense, their break with the congress was part of their electoral campaign; an exercise in damage limitation. But hardly enough to ensure them outright victory in the polls.

If there is any winner, it is Mr Ante Markovic, the efficient and much respected Prime Minister.

He was a delegate at the congress. But he said nothing. He sat quietly almost oblivious to the bitter war of words between the Serbs and the Slovenes. Unlike the pessimists, he does not believe that the breakup of the LCY will lead to Yugoslavia's disintegration. Rather, his supporters believe it will strengthen the government's hand.

For years, party and state in Yugoslavia were inseparable. Government, invested with no real authority, was at the behest of the LCY. Mr Markovic changed that when he assumed office last year.

He picked his own ministers, regardless of what republic they came from.

He made competence prevail over patronage, disregarding the rules of equal representation for each republic in the government. He ran roughshod over the local party organisations which had been turned into fiefdoms.

He swept through the Federal Assembly a package of radical economic reforms aimed at introducing a market economy.

Above all, at the expense of the party's questionable authority, he silenced his critics, and strengthened the institutions of government. The government now awaits political parties.

As the LCY licks its wounds, the fledgling opposition groups must organise. They can either confirm Serbia's worst fears that they will campaign on ethnic/nationalist platforms which would ensure little stability for any future government; or some of them can combine to form a national Federal party transcending cultural and ethnic differences.

No such party as yet exists. All are based in the individual republics. Given the ethnic make-up of the country, the comparisons with the Soviet Union are striking. And as Mr Gorbachev and Mr Markovic realise, the task in moulding stability out of such diversity will not be easy.

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EUROPEAN NEWS

Soviet premier rejects reform of monetary policy

By Quentin Peel in Moscow

MR NIKOLAI RYZHKOV, the Soviet premier, has delivered a categorical rejection of early monetary reform, in an attempt to curb the spread of rumours leading to panic buying and hoarding.

His reassurance that the government is not intending to introduce a new "heavy" rouble to replace the present increasingly valueless currency follows months of growing speculation in goods like jewellery, gold, icons, antique furniture and dachas in the countryside.

"We have become convinced of the inexpediency of carrying out monetary reform," Mr Ryzhkov told the popular trade union newspaper, Trud, in response to readers' questions. "Our monetary system indeed requires urgent and radical measures to be improved, but not the shock therapy which is what monetary reform amounts to."

The Prime Minister's interview comes only two weeks after the authorities suddenly announced a surprise 50 per cent price rise for gold and jewellery, as another part of the anti-speculation strategy. However that move was immediately criticised for giving windfall profits to the speculators.

It will be a disappointment to reform-minded economists, convinced that only drastic monetary reform, involving some form of parallel currency, will begin the process of soaking up the huge excess money supply in the economy.

Mr Ryzhkov admitted that excess consumer demand in the Soviet economy was now officially estimated at some Rbs165bn ($262bn) a measure of the huge surplus of available cash and savings over consumer goods and food products. However he insisted that there was no point in introducing new roubles "if you are confronted with the same shortages of goods and services and the same difficulties in purchasing goods for your roubles."

He also rejected a suggestion that compulsory conversion of savings in excess of Rbs10,000 or Rbs20,000 would be a great coup against black marketeers.

World Bank could lend $7.5bn to E bloc over next three years

By Stephen Fidler, Euromarkets Correspondent

THE WORLD BANK could commit up to $7.5bn to the countries of eastern Europe, including Yugoslavia, over the next three years, according to a senior Bank official.

Mr Eugenio Lari, the director of the Bank's department covering Europe, the Middle East and North Africa, said that over three years $2.5bn could be committed to Poland, $1bn to Hungary and $2bn to Yugoslavia. Financing for Romania, the other country in the region that is a member of the Bank and which had repaid all its loans to the Bank by last year, was more uncertain but this could perhaps reach $2bn, he said.

This total could increase as other countries, such as Czechoslovakia and Bulgaria, become members of the International Monetary Fund and World Bank. East German officials have this week held informal meetings in Washington to discuss its possible membership of the institutions.

Mr Lari underlined, in a seminar for journalists, that these figures were the possible commitments but that World Bank funds would not be disbursed unless the countries met certain conditions and were in compliance with IMF programmes.

In the case of Poland, financing plans for which are most advanced, Mr Lari stressed the need for a forgiveness of its existing debts both by banks and creditor governments in the Paris Club.

He also said the western government help for eastern Europe should be predominantly in the form of grants, rather than loans, to prevent a build-up of debt which subsequently would hamper economic growth. Such grants, he suggested, would be appropriate for exmple to help Poland to set up a social safety net.

EC hits British farmers over mad cow disease

by Tim Dickson in Brussels

BRITAIN'S FARMERS were yesterday forced to accept tough new European Community medicine in the battle to stop the spread of "mad cattle" disease.

The move came in Brussels as Mr Raymond MacSharry, the EC's Agriculture Commissioner, appeared to throw his weight behind the UK's demand that West Germany lift its controversial restrictions on imports of certain types of British beef.

Mr MacSharry was careful not to say so in as many words but he told EC agriculture ministers that a recent report from veterinary experts had concluded that "as far as they knew" there was no danger to human health from meat taken from affected animals.

The controversy over bovine spongiform encephalopathy, a disease of the nervous system which has killed around 9,500 animals in Britain, has rumbled on for the last few months but is now threatening to turn into a major political controversy, as well as a highly technical dispute.

The main issue on the table in Brussels yesterday was an EC proposal European Commission to tighten existing rules to prevent the export of all live cattle over six months from Britain to the other member states of the EC. The UK believes that existing rules – which forbid the export of all live animals born before July 1988 – are perfectly adequate but it could not muster enough support in the Council yesterday to defeat the Commission's move.

Although the Commission also failed to win a qualified majority for its plan, it is entitled under EC decision making procedures to proceed anyway and is expected to introduce the new rules from March 1.

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D-Mark pay deal for E German workers

By David Goodhart in Bonn

MUNICH-BASED Knorr-Bremse has become the first West German company to announce that it intends to pay East German workers partly in West German D-Marks when it establishes a joint venture in East Berlin next year.

The company, which is West Germany's biggest producer of brakes for railway engines and commercial vehicles, said the 50:50 joint venture was being formed with a subsidiary of the East German Kombinat Berliner Bremsenwerk. Wages would be paid partly in D-Marks "if the legal conditions allow it", according to the company.

However, the issue of monetary union between the two German states is becoming increasingly controversial in West Germany. Both the Finance Ministry and the Bundesbank have expressed caution about union and yesterday Mr Helmut Schlesinger, vice-president of the Bundesbank, stressed that the improvement of the economic situation in East Germany through the injection of private capital remained more important.

Also yesterday Mr Tyll Necker, president of the German Industry Association, joined Ms Ingrid Matthaeus-Maier, the opposition Social Democrats finance spokeswoman, and Mr Diether Spethmann, chief executive of Thyssen, in backing rapid movement towards monetary union.

Mr Necker's five-point plan envisages full currency and economic union before 1993. The first step is freedom to invest in East Germany and the abolition of the state monopoly on foreign trade. The second step is soaking up the East German money supply through privatisation followed by destruction of the proceeds. Third step is the abolition of subsidies, the fourth step a staged move towards convertibility and finally the exchange of East German marks for D-Marks.

OVERSEAS NEWS

Bank moves to stem Malaysian credit

By Lim Siong Hoon in Kuala Lumpur

BANK NEGARA, Malaysia's central bank, has tightened money supply, for the third time in nine months, to deal with a 100 per cent growth in credit.

The bank has been raising the ratio of reserves to eligible liabilities by one percentage point each time, to 6.5 per cent *currently*.

Its latest decision will remove nearly 900m ringgits ($330m) from the banking system. Previous moves, taken in May then October, probably did little to slow down credit growth.

Latest figures from the bank showed that bank credit between January and September doubled against the previous period, from 4.6bn ringgits to 10.7bn ringgits.

The country has had a 7.6 per cent economic growth, and trade and capital account surpluses. Despite the rapid rise of money supply – estimated, in broad terms, to be around 5 per cent last year – the central bank has steadfastly held down interest rates. Interbank rates are between 5 and 5.6 per cent, the levels of a year ago.

Taiwanese greens thwart government's nuclear plant plans

By Peter Wickenden in Taipei

THE Taiwanese Government is becoming increasingly desperate to start work on a nuclear power station and a petrochemicals plant which environmental protests have held up for several years.

Premier Lee Huan, Cabinet ministers and other senior officials are saturating the press with statements in support of the two projects, claiming that, unless construction gets underway immediately, electricity will have to be rationed this summer and the island's petrochemicals industry, a major contributor to exports, will face major shortages of raw materials.

Rising environmental consciousness is often blamed for a current deterioration in the investment climate and for a flow of an estimated $4bn overseas in the past two years.

An effective anti-nuclear bloc, which includes several dozen Kuomintang legislaters, has prevented the building of Taiwan's fourth nuclear power plant since 1984. A further setback for the government came in December, when Taipei county, in which the state-run Taiwan Power Company has obtained land for plant, came under the opposition Democratic Progressive Party's control in the elections.

Initial objections to the fourth reactor concerned the cost. However, a series of minor accidents, radiation leaks and an explosion at existing plants, has raised concern over the efficiency and the Atomic Energy Council's lack of public accountability.

The Government agreed in 1985 that the fourth plant would be shelved until public fears about its safety were allayed.

On Sunday Premier Lee Huan called on the Taiwan Power Company to step up efforts to sway public opinion in favour of nuclear power, which provides about 16 per cent of all generating capacity. Two of the three existing plants are 20 miles from urban areas with the world's highest population density.

Environmentalists have also delayed the building of the island's fifth naphtha cracking plant by the state-run Chinese Petroleum Corporation since 1984. The announcement that construction of the $590m plant would restart at the CPC's refinery in Kaosiung has triggered a new round of protests.

Hotel workers demonstrated at a plush Johannesburg hotel yesterday to protest against the presence of the rebel English cricket team on a tour of South Africa, AP reports. Leaders of about 120 black employees of the Sandton Sun said the staff would refuse to serve the team unless they agreed to call off the tour and leave for London. Bemused guests eating breakfast watched the protesters. The team is scheduled to play its first fixture on Friday against a select side in Kimberly.

SA cabinet holds talks on Mandela

By Jim Jones in Johannesburg

THE release of jailed African National Congress leader Mr Nelson Mandela and the unbanning of the ANC will be discussed today when the South African cabinet meets for the first time this year.

Rumours of his impending release were fueled yesterday when Mr Kobie Coetzee, the Justice Minister, was quoted by government-run radio as saying Mr Mandela's release was "imminent."

Speculation is that the cabinet will agree to the ANC leader's release and that President FW de Klerk will announce it at the opening of parliament on February 2.

The radio report was drawn from an interview Mr Coetzee gave to Die Nasionalis, the ruling National Party's newspaper, in which he said the government was considering Mr Mandela as a mediator between the ANC and the government and that it had been encouraged by the peaceful reaction in black townships to last October's release of Mr Walter Sisulu and other ANC leaders.

Mr Coetzee also told the newspaper that it was no longer a question of if Mr Mandela should be released but when and under what conditions.

OVERSEAS NEWS

Kaifu to dissolve Diet ahead of election

By Stefan Wagstyl in Tokyo

MR TOSHIKI KAIFU, the Japanese Prime Minister, was expected today to dissolve the Diet (parliament) and call a general election for February 18. The poll will be the most important test of the popularity for the ruling Liberal Democratic Party since its foundation in the 1950s.

Support for the LDP plunged last year to an all-time low because of the introduction of a consumption tax, unpopular agricultural policies and the involvement of its leaders in the Recruit financial scandal. Voters protested by abandoning the LDP in elections to the Diet's upper house. For the first time since its inception the party lost its majority in one of the Diet's two houses.

Since then the LDP has regained some lost ground as voters let their anger cool and recalled the unparalleled prosperity they have enjoyed under LDP rule. The opposition, including the Japan Socialist Party, has been unable to maintain a united front.

Nevertheless, it is not clear whether the LDP has recovered enough support to retain its absolute majority in the lower house, the more important chamber. It must win at least 257 out of 512 seats to be sure of controlling the government. Party leaders believe they can rely on winning 235 seats - but could win up to 35 more.

Pollsters say the LDP will be hard put to secure 250 seats - but will be able to co-opt 10 or so independent conservatives.

However, if there are too few independents, the LDP will have to start negotiating with one or more of the smaller opposition parties – Komeito, the centrist "clean government" party, or the left-of-centre Democratic Socialist Party. Such negotiations could be very delicate.

Political uncertainty has affected the financial markets, contributing to the recent weakness of the yen and of the Tokyo stock market. But other factors have been at least important – including concern about rising Japanese interest rates and worldwide worries about the stability of the Soviet Union.

Khmer Rouge words, but no bullets, batter Battambang

By John Pedler in Battambang

ALL is quiet on the western front of Cambodia. Battambang, the country's second city, is calm. It is not, and has not been under siege; it is not and has not been in flames. Contrary to a string of recent news reports about Khmer Rouge advances on Battambang, little has changed during the past year.

Reconstruction continues, slowed not by war but, as always, by lack of capital. Inflation does not help and since the civil war began in the countryside following the withdrawal of the Vietnamese occupation forces, the riel has halved in value. The curfew is still at 7pm. Throughout the night guards strike scrap metal yielding different tones so all know the others are on station and awake (an old technique of Pol Pot's).

The Khmer Rouge guerrillas, led by Pol Pot, have launched more propaganda than military attacks against towns. But they have made some advances from their jungle strongholds close to the Thai border in countryside and village areas. They are the dominant of the three opposition guerrilla groups.

International concern that they might eventually succeed in overthrowing the government of Hun Sen has led to increased diplomatic activity in the search for peace. Pol Pot was last in power for four years from 1975 when his brutal regime killed more than 1m of Cambodia's 7m people before the Vietnamese invaded in 1979.

Getting to Battambang was an event. We were hauled from our beds in Phnom Penh at 6am for an earlier-than-expected flight. We were met at the airport by rumours that the flight was off: we knew the Soviet pilots had strict instructions not to land if there was even a whiff of trouble. An hour went by. Officials began to fear humiliating loss of face and some of the travellers prepared to return to town when Chun Boun Rong, a Foreign Office official, appeared with a broad smile, quickly followed by an aircraft.

Forty-five minutes after take off the Soviet pilot made a Vietnam-veteran-style descent, a tight diving turn to port to land at Battambang Airport, the site of a recent Khmer Rouge attack according to their claims. But the damage to the airport was 15 years old, dating from Pol Pot's seizure of power in 1975.

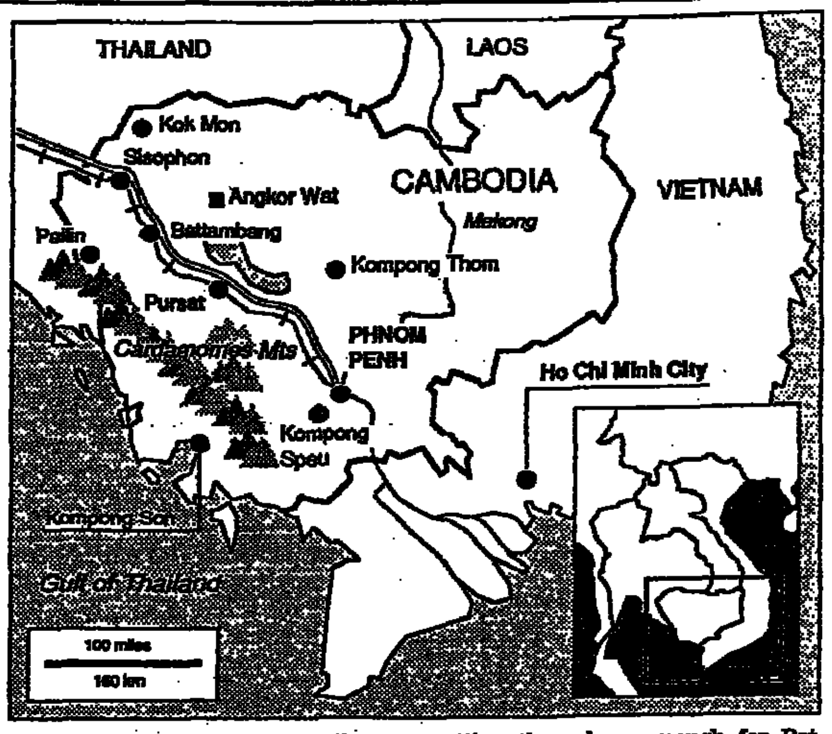
A solitary, neatly turned-out soldier met us. The bus ride to the town centre reveals the same normality as a year ago, although heavy equipment was parked discreetly here and there.

Mr Teas Hinh, an engineer and member of the provincial committee, told us that the Khmer Rouge attacks around January 4 occurred between 40 and 50 km from Battambang. He said that the Khmer Rouge usually could not concentrate more than 150 men at a time without being noticed by villagers who sent word of their whereabouts.

While Battambang is unscathed, the outlying villages are not. The doom-laden sound of anti-personnel mines is more frequent, stabbing at the morale of villagers. Amputations in this province are now reported to be running at 30 a month. The Khmer Rouge also have an intimidating tactic of setting fire to village homes using hand-held rocket launchers. Half the paddy fields in the province are abandoned. This is no longer one of the rice bowls of South East Asia.

The railway is still running from Battambang northwards to Sisophon near the Thai border where the Khmer Rouge are active. However, the rail line south to Pursat and on to Phnom Penh is not operational. A Thai Military spokesman in Bangkok has also confirmed that in addition to the railway line the Khmer Rouge have cut parts of Route 5 and Route 6, which run the length of the country from Phnom Penh to the western border with Thailand and important supply routes.

Petrol is not abundant – the Battambang intermediate radio station is apparently not working due to lack of fuel. But plenty of other goods are getting through – enough for Battambang's free market to be lively and thriving. Goods coming from Thailand take a long route via the south-west Cambodian seaport of Kompong Som. Imported goods seem to be about double the price of Phnom Penh – but the best rice in the world comes cheaper than second quality in the capital.



HK Bill of Rights due to be issued next month

By John Elliott in Hong Kong

HONG KONG'S proposed Bill of Rights is likely to be published next month after detailed redrafting which is intended to strengthen its effectiveness when China regains sovereignty over the colony in 1997.

The Bill is aimed at strengthening the application of human rights, such as liberty and freedom of privacy and speech, which are contained in international covenants. These covenants are not recognised by China where the rights are not guaranteed.

It is one of a series of measures being introduced by the UK and Hong Kong governments to try to restore local confidence following China's Tiananmen Square crisis last June.

Yesterday Hong Kong's executive council considered a draft of the Bill for the second time. Two weeks ago the council sent the Bill back to government lawyers to be strengthened, and yesterday it decided to ask for further changes which will be considered next month. The draft Bill will then be published for consultation, prior to being enacted later this year.

Hong Kong has had to accept that it cannot make the Bill legally supreme above all laws which China might want to introduce after 1997. This would be difficult, if not impossible, to achieve in legal terms. More importantly, China has also made it clear that it would regard any statement of assumed supremacy as an infringement of its post-1997 sovereignty.

Government lawyers have therefore abandoned plans for putting a simple statement of supremacy (known in legal terms as entrenchment) into the bill.

Entrenchment, they believe, can only be achieved constitutionally through Hong Kong's post-1997 Basic Law which is now being finalised by Peking.

Both this law, and a 1984 Sino-British Joint Declaration on the handover of sovereignty, recognise two international covenants on human rights.

Nigeria to sell motor shares

NIGERIA said yesterday it would sell some of its shares in three motor assembly plants part-owned by British, Austrian and West German companies, Reuter reports from Lagos. The partial privatisations will be the latest in a programme which this year should see government share offerings in 39 enterprises, Mr Emeka Maduegbuna, spokesman for the privatisation committee, said.

He said the committee would sell off a portion of Nigeria's majority stake in Leyland Nigeria, Anambra Motor Manufacturing, and Steyr Nigeria. The companies are 40 per cent owned by Rover Group, Daimler-Benz and Steyr-Daimler-Puch respectively.

Some state shares in a fourth company, National Trucks Manufacturing, would also be offered to the public.

Since the privatisation drive began a year ago 16 public enterprises had been fully or partially privatised through sale by public offer, he said.

Kashmir militants plan more attacks

By David Housego in Srinagar, Kashmir

ARMED militants in India's northwestern state of Kashmir yesterday said they planned to intensify guerrilla operations against Indian military and para-military forces in the state.

They also said they would call for a campaign of civil disobedience, including the non-payment of taxes and electricity bills.

The warning was made by two of the senior commanders, Mohammed Yassin Malik, 23, and Javed Ahmed Mir, 27, of the Jammu and Kashmir Liberation Front (JKLF), the main extremist organisation, in an interview on the outskirts of Srinagar with another foreign reporter and myself.

The JKLF was responsible for the recent kidnapping of the daughter of Mufti Mohammed Sayeed, the Indian Home Minister. The ease with which the interview was arranged and we were conducted to the hideout confirms the grip that the fundamentalists now have on Srinagar, Kashmir's capital.

The interview came as the indefinite curfew imposed by the Government throughout the Kashmir Valley entered the third day. Curfew restrictions were lifted for four hours in the middle of the day. Shops in central and downtown Srinagar remained closed, however, in sympathy with the militants.

The JKLF told people not to purchase essential commodities provided by the authorities.

In the downtown area, black flags have been put up to commemorate those killed over the last four days – on official figures 30 and on unofficial figures over 100. The JKLF has also put up black banners bearing slogans and their symbol of a submachine gun on some buildings.

The Muslim threat against army personnel comes at a time when security operations have been weakened by the strike and go-slow by the Jammu and Kashmir police, the force most in contact with the local population.

The Jammu and Kashmir police have been angered by the alleged killing by a soldier of one of their members on Monday and by what they consider the army's unnecessary use of fire power to disperse crowds.

In extraordinary acts of indicipline for India, policemen came up to us during the day to complain of the army's behaviour. One said the police would side with the militants if the army did not mend its ways.

Adding to the tension yesterday, two people, on official figures, and four unofficially, were killed when an army guard for a UN vehicle opened fire when he thought he had come under attack.

The lack of manoeuvre the Indian Government has in handling the discontent – increasingly parallels are being drawn here with Soviet Azerbaijan – was brought out by the intransigence of the JKLF leaders in their interview.

They said that their goal was an independent nation that would include both the Indian state of Jammu and Kashmir as well as Gilgit and Azad Kashmir which lies in Pakistan.

Mr Malik said their aim was an "Islamic welfare state" – more Islamic than Pakistan.

He said the only terms on which they were prepared to negotiate with Delhi would be on the basis of Indian recognition of, and UN guarantees for, Kashmir's status as "disputed" territory with the right to self-determination.

Mr Malik claimed that 50 per cent of the local police were sympathetic to the militants' cause and that three policemen had joined them.

Conversation with senior officials makes clear that the hope of Mr Jagmohan, the new Governor, is to isolate the extremists by building on his past record as a capable administrator in the state.

India-Pakistan talks bog down

THE TURMOIL in Kashmir yesterday cast its shadow over the first meeting between the foreign ministers of India and Pakistan since the new Indian Goverment took office, K.K. Sharma writes from New Delhi.

Mr I.K. Gujral, India's External Affairs Minister, gave a veiled warning to Mr Yakub Khan, his Pakistani counterpart, on what India says is help for Kashmiri militants from across the border. His claim that India had evidence of Pakistan's involvement of "terrorist activities" in Kashmir was strongly denied by Mr Khan.

The Pakistan minister said the current trouble in the state was purely indigenous and resulted from a denial of the right of self-determination to the people of Kashmir. Mr Gujral, in his turn, pointed out that his Government considered Kashmir to be an integral part of India and that any interference in the country's internal affairs would be unacceptable.

AMERICAN NEWS

Blow for Menem as central bank head replaced

By Gary Mead in Buenos Aires

CONFIDENCE in Argentina's Peronist Government took a fresh blow last night, when the head of the central bank was replaced for the third time in the seven months of President Carlos Menem's administration.

Mr Enrique Eugenio Folcini, 53, takes over from Mr Rodolfo Rossi, as the Government's fourth central bank president. He will face what many observers regard as perhaps the most critical tests yet for the Government's economic and political future.

Mr Rossi, who saw Argentina's currency collapse from 1,000 australs to almost 4,000 to the US dollar, denied that he had been sacked. A supporter of the right-wing Centre Democratic Union (UCD), he said his new post of presidential adviser was "a promotion".

Mr Alvaro Alsogaray, leader of the UCD, ran against Mr Menem in last May's presidential election. ButMr Alsogaray acts for the Menem Government as negotiator on the country's foreign debt of \$60bn.

Despite Mr Rossi's denial, there is scepticism about the manner and timing of his departure. During his time at the central bank the Government introduced drastic new measures to stifle private liquidity in a desperate attempt to halt the austral's decline.

But those tight monetary controls have resulted in almost complete illiquidity and a renewed surge in interest rates. The highest rates yesterday reached a monthly 80 per cent, almost double those at the end of trading last Friday.

Moreover, although the austral has recovered some ground since the Christmas crisis, trading at 1,800 to the dollar, an imminent round of wage demands and official estimates of January's inflation hovering at around 60 per cent suggest that a fresh explosion of the money supply may be around the corner.

Bush braced for warning shot on China policy

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush is later today expected to face his first big foreign policy defeat in Congress when the House of Representatives musters more than the two-thirds majority needed to override his veto of legislation allowing Chinese students to extend their stays in the US.

The vote, likely to be repeated tomorrow in the Senate, is more symbolic than practical. By executive action the President claims he has offered as much, if not more, protection to the Chinese students than is offered by the bill, which, he argues, also risks retaliation.

But the symbolism matters in terms not only of the widespread congressional doubts about the President's China policy since the Tiananmen Square massacre last June but also of overall relations between the US and China.

Mr Bush's policy of keeping open contacts with Peking has been the most controversial one of his presidency. It has in part reflected his own close knowledge of China from his spell there in the mid-1970s. The disclosure in mid-December of the visits to Peking by Mr Brent Scowcroft, the President's National Security Adviser, and Mr Lawrence Eagleburger, the deputy Secretary of State, plus the easing of some trade sanctions against China, would have provoked more of a row if there had not been the US invasion of Panama and the upheavals in Romania.

It has been a classic clash of US foreign policy traditions – the idealist tradition of Woodrow Wilson stressing the American values of freedom and democracy and the realism of the foreign policy élite emphasising national interests.

In a revealing speech last Friday, Mr Douglas Paal, director of Asian Affairs for the National Security Council, argued in favour of improving relations with China because of the experience of the 1950s and 1960s when the policy of isolation and sanctions led to frequent confrontations.

While stressing outrage at last June's events, Mr Paal said US policy was "to preserve the framework of the US relationship with China – the free flow of people, ideas, information and commerce. In short, we have tried to soften the blow to the Chinese people brought about by the crisis in China. We have tried to shorten the time required for China to work through its crisis."

Acknowledging the political risks involved in restoring "a stabilising dialogue," Mr Paal claimed that there had been "positive and modest" results such as a strengthening of previous denials on the supply of ballistic missiles to the Middle East, a lifting of martial law in Peking, resumption of discussions on student exchanges and acceptance of Peace Corps volunteers. He claimed that "the free-fall in US/China relations has been arrested and movement has begun in the right direction".

This view of last June's events as a "setback" to administration policies since the early 1970s of encouraging greater openness in China has been difficult for many in America to swallow.

The Administration's policies have been, according to Senator George Mitchell, the Democratic majority leader, "inconsistent with American ideals". From Mr Bush's own party, Congressman Newt Gingrich, the House minority whip, has warned of a virtually certain override and said Congress and people did not understand the President's "mistaken" strategy. This week's votes will be a warning shot to Mr Bush not to get too far ahead of US opinion.

CIA chief warns on defence cuts

By Lionel Barber in Washington

THE Soviet Union is less of a threat to the US but is continuing to modernise its strategic nuclear forces, Mr William Webster, CIA director, warned Congress yesterday.

In testimony to the Senate Armed Service committee, he urged lawmakers not to reduce spending on US intelligence, whose budget on spies and satellites remains secret.

The Senate hearing is the first of several congressional sessions aimed at assessing whether recent events in Eastern Europe have reduced the Soviet threat sufficiently to justify large-scale cuts in the US defence budget.

The Administration is due next week to request a \$295bn budget this year, a slight reduction on the previous year, which includes proposals for cuts in manpower, mothballing two Navy battleships and scrapping at least one major weapon system, the M-1A1 main battle tank. But officials are nervous about a congressional stampede in search of a "peace dividend".

The defence budget debate is unfolding as the Administration prepares to move toward conclusion of two arms control treaties with the Soviet Union: the Start pact to cut strategic nuclear missiles by 50 per cent and a Nato/Warsaw Pact agreement to cut conventional forces substantially in Europe, with the Soviet forces bearing the brunt of the cuts.

US media oppose Exxon on Valdez oil evidence

By Alan Friedman in New York

THREE US newspapers and the Associated Press have filed a plea in Alaska in an attempt to stop Exxon from keeping secret most of the evidence gathered in more than 150 lawsuits arising from last year's grounding of the Exxon Valdez, the worst oil spill in the nation's history.

Exxon and other defendants, including Alyeska Pipeline Services, the operator of the trans-Alaska pipeline, are demanding a blanket protective order to prevent any documents being revealed in the case, claiming that vital trade secrets could be disclosed if documents are made available during the evidence- gathering phase before the trial.

Mr Patrick Lynch, an attorney for Exxon, said that the media's plea is "unworkable and unjustified" because of the oil company's fear that press coverage outside of the trial could prejudice Exxon's ability to have a fair trial.

Mr John Mackay, the media lawyer for the Wall Street Journal, Los Angeles Times, Anchorage Daily News and AP, replied to Exxon by claiming that the company merely wants to hide "a variety of embarrassing details" about the wreck last March 24 of the Exxon Valdez.

If Exxon wins its secrecy order, this could prevent the public from learning exactly what caused the disaster or why efforts to contain and clean up more than 10m gallons of crude oil failed.

Mr Mackay charged in a 48-page brief filed yesterday in Anchorage Supreme Court that there was "every reason to worry that defendants are inclined to excessive secrecy and lack of candour". While agreeing that true trade secrets should be protected, Mr Mackay argued that requests for secrecy orders should be evaluated on a "document-by-document" basis.

Collor still to name economics minister

MR Fernando Collor de Mello, Brazil's president-elect, begins a new whistlestop tour of international capitals today with the head of his economic team still unnamed, Ivo Dawnay reports from Rio de Janiero.

The taciturn victor in last month's presidential election has provoked a flurry of speculation over what is seen as his most crucial ministerial appointment. Although foreign debt and new investment are certain to dominate talks in the US, Europe and Japan, Mr Collor is planning to lead the discussions himself without a named Economy Minister at his side.

It seems likely that the minister, when appointed, will be faced with having to carry through a programme already drawn up by a team led by Mr Collor's chief advisor, Ms Zelia Cardoso.

Noriega drugs charge 'a mistake'

The US military has withdrawn statements that it had found drugs in a building linked to Gen Manuel Noriega, the ousted Panamanian strongman, Reuter reports from Panama City.

U.S. officials qualified as "a mistake" the reports that either 50 pounds or 50 kg of cocaine were found in a building at Fort Amador nicknamed the "witch house", because of articles of witchcraft found inside.

Revitalised IADB prepares to spend

Nancy Dunne on the plans of Enrique Iglesias, the Bank's president

MR Enrique Iglesias, president of the Inter-American Development Bank, is philosophical about the crisis-torn 1980s. "Not everything was lost," he says as he looks forward to a decade of expanded funding and fresh policies. "We gained experience."

He is determined to move beyond the debt problems of the 1980s. A restructuring of the Bank is nearly complete and its once-rocky relationship with the US, its largest shareholder, is much improved.

It is more than two years since the departure of Mr Antonio Ortiz Mena, the president for 17 years, who left in the middle of his fourth five-year term rather than succumb to US pressure for increased authority over project loans. With the US linking its demands to a much-needed capital replenishment, the enfeebled institution was unable to spur the growth its Latin borrowers needed to shake off their debt burdens.

Mr Iglesias has sought to infuse new vitality into the IADB. An experienced negotiator, credited by many with saving the Uruguay Round when it first ran into difficulties, the former Uruguayan Foreign Minister ended the funding stalemate by persuading the US to settle for authority to delay, although not block, specific loans.

Now, with the Bank's lending set to rise as its new resource replenishment is going into effect, he looks back on the 1980s in order to look forward to the 1990s.

What worked, in his view, were "rational approaches" taken by the Latin American economies to liberalise trade, promote private sector growth and decentralise power from large central governments. What did not work, he admitted, in a speech last February, were loans which were not "well administered".

"We must spend better as well as spending more," he said.

The IADB, which holds its annual meeting in Montreal in early April, will indeed be spending a great deal more. From a low of \$1.7bn in new loan commitments in 1988, last year's total bounced back to \$2.6bn. Total disbursements rose to \$2.5bn from \$2.3bn. Now the four-year \$26.5bn increase in capital is going into effect, lending is expected to soar to \$5bn-\$6bn a year.

The composition of the lending will shift the emphasis away from the heavy infrastructure development of the past two decades towards loans which help sectors operate more efficiently.

These sectoral loans will constitute one-quarter of total funding; they are to be designed over the next two years in association with the World Bank.

There is to be heavy stress on private sector development. "We intend to put our nose in the privatisation process,"

Mr Iglesias said.

The IADB is also placing new stress on developing projects for its poorer clients. Sixty-five per cent of the loans will go to the "A" and "B" countries – those with higher incomes such as Brazil, Mexico and Venezuela – but this must be matched by 35 per cent lending to the neediest, the "C" and "D" countries such as Haiti and Bolivia.

Mr Iglesias has exercised his diplomatic skills in securing funding from Japan. Expressing his "admiration" to Japan for having opened its markets to Latin American exports, he has been amply rewarded.

In November he negotiated \$150m from several large Japanese insurance companies for 25-year financings; \$150m from Japan's Overseas Economic Co-operation Fund for an "initial line of credit" for highly concessionary co-financing to small and medium-sized countries; and \$32m in addition to \$25m already contributed for the recently created Japan Special Fund.

Japan's Ex-Im Bank is preparing to co-finance about \$1bn in projects proposals nearing completion.

Mr Iglesias has sought also to buttress the Bank's image of social reform in Latin America while at the same time making the IADB a voice for Latin America in Washington. In response to US pressure, the Bank's structure has undergone a "streamlining" but – unlike the World Bank – it was accomplished without fanfare or controversy. Staff has been cut by 18 per cent, mostly through early retirements.

The restructuring has created new divisions to handle two Iglesias priorities: Environmental Protection, to weigh the environmental impact on proposed IADB projects, and the Microenterprise Division to lend support to the continent's growing informal sector.

Mr Iglesias echoes what critical environmentalists have been insisting for years: that the relationship between development and the environment is crucial, that preventive measures cost less than repairing the damage done by badly designed projects.

"The key to success is not necessarily less intervention but rather in many cases better intervention," he says.

Greenspan tries to calm dispute

MR Alan Greenspan, chairman of the US Federal Reserve, yesterday sought to lower the temperature following recent remarks by President George Bush and White House advisers urging lower interest rates, Peter Riddell writes from Washington. These statements have contrasted with more cautious comments by Fed governors.

In evidence to a congressional committee, Mr Greenspan sought to brush the issue aside by saying the White House remarks should not be interpreted as trying to pressure the Fed to lower rates. Instead, he suggested, in an unusually personal gloss, they reflected the view that lower interest rates were preferable to higher rates.

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WORLD TRADE NEWS

EC determined to root out food subsidies fraud

By Tim Dickson in Brussels

THE European Commission yesterday affirmed its determination to crack down on food traders who claim illegal farm export subsidies running into tens of millions of pounds.

A proposal to tackle the fraud – which comes about when customs officials in certain non-EC countries deliberately falsify import documents – ran into opposition from Community governments earlier this month because of fears that it may seriously disrupt legitimate trade.

Mr Raymond MacSharry, the EC's Agriculture Commissioner, told a meeting of the EC Farm Council in Brussels yesterday that he understood such concerns and that it was not his intention to frustrate honest exporters. But while he was prepared to "clarify" the measure, he stressed he was not willing to alter its main features.

The problem stems from the way in which the EC's controversial export "refunds", paid to traders to bridge the gap between high guaranteed European prices and the generally lower world market prices, vary according to destination. This partly reflects the distance which the goods have to travel – and the extra costs involved – but it is also the result of the EC's policy of providing extra support in parts of the world where other exporters (like the US) are active.

As long ago as the mid-1970s the system was identified as an open invitation to unscrupulous traders to use forged import documents to take advantage of these discrepancies, landing their goods in one country but claiming the higher subsidies reserved for another destination.

According to officials in Brussels, the main culprit appears to be a European Community document (known as Annexe Two) which once stamped by the importing country has been presented to the EC's paying agencies as adequate "proof" that surplus cereals, butter and beef have reached the final customer. In future, however, the Commission intends to amend the rules so that only customs documents supplied by the importing country are sufficient evidence that the goods have arrived.

In exceptional cases where traders can show that other import documents cannot be obtained, the Commission says it will be prepared to accept the Annexe Two as "first proof".

It is understood that officials in Brussels have strong suspicions about which countries are guilty of falsification. They believe that the new system will help to root them out.

Japan backs US call to ease CoCom curbs on East Europe

By Robert Thomson in Tokyo

JAPAN yesterday backed US proposals to ease curbs on high-technology exports to Eastern Europe, although Tokyo is likely to want Washington to take the lead, because of a 1987 controversy over the unauthorised export by Toshiba Machine Company of sophisticated machine tools to the Soviet Union.

Mr Toshiki Kaifu, Japan's prime minister, has just returned from a European trip, including visits to Poland and Hungary. He indicated support for US suggestions to relax the export restrictions required by the Co-ordinating Committee for Multilateral Export Controls (CoCom).

Japanese officials said the country has supported the easing of restrictions on computers, machine tools, and telecommunications equipment in CoCom meetings, and a decision could be made to ease those rules in CoCom next month.

"The present level of restrictions is a bit outdated," an official said. "We need to streamline the system." It is understood the changes would involve a shorter examination period for sensitive equipment and an increase in the number of high-technology products not subject to Cocom rules.

US attacks on foreign investors worry UK

By Peter Riddell, US Editor in Washington

BRITISH unease about recent criticism in the US of investment from abroad was underlined last night by Mr Nicholas Ridley, Britain's Trade and Industry Minister, as he spoke in New York at the end of a two-day visit to the US.

Addressing the British-American Chamber of Commerce, Mr Ridley said that, while Britain recognised that "the climate of suspicion over foreign investment emanates largely from distrust of Japan, the UK, as the US's largest overseas direct investor, shifts uneasily in its seat when foreign investors are lambasted by US politicians."

In comments to reporters in Washington, he said: "When you fire a scatter gun it hits people not meant to be hurt."

Mr Ridley's remarks come on the eve of a series of hearings by a House of Representatives committee on foreign investment, and coincide with continued pressure for greater scrutiny and controls.

Such moves have been opposed not only by the British and other foreign governments, but also by the Bush Administration, which accepts the necessity of such foreign inflows in view of the US's large trade deficit.

Mr Ridley said Britain would be watching closely the implementation of the Exon/Florio amendment to the 1988 Omnibus Trade and Competitiveness Act (imposing closer surveillance on national security grounds), as well as the impact on foreign investment of the 1989 Revenue Reconciliation Act (introducing more detailed reporting requirements).

These, Mr Ridley noted, had "drawn criticism from the international business community."

He added: "The drive to liberalise public purchasing in the EC has not been matched here (in the US) by the dismantling of the many "Buy America" provisions in federal and state legislation.

"It has not stemmed the flow of new 'national security' legislation designed to protect uncompetitive industries under the guise of strategic necessity".

Battle joined on computer copyright

US and Japan want a cut of the EC market, writes Louise Kehoe

US and Japanese computer and software companies are battling to exert their influence on the European Parliament as it debates an EC directive aimed at establishing consistent Community-wide laws on copyright protection for computer programs.

The proposed EC directive could have a major influence in shaping the future of the European computer market, which is becoming the primary battleground for US and Japanese competition as computer sales growth slows in the US.

Intense interest in the issue of software copyright has led to heavy lobbying in Brussels by both US and Japanese industry representatives.

According to US industry officials, the outcome of the software copyright directive debate could also have significant implications for intellectual property rights issues in other industries.

Intellectual property is a major contentious issue under discussion in the Uruguay Round on trade liberalisation held under the aegis of the General Agreement on Tariffs and Trade (Gatt).

At the centre of the software copyright debate is the issue of "reverse engineering", or taking a product apart and then rebuilding it without actually copying its components. Alleged reverse engineering efforts have been the subject of several law suits in the US, some of which remain unresolved.

Taking a leading role in the US effort to ensure that new European laws do not weaken the legal rights of software publishers and provide an advantage for Japan's major computer manufacturers is the Business Software Alliance (BSA), a group representing the six leading US personal computer software publishers that was formed in 1988 to fight software piracy.

The industry group has made its mark by bringing civil and criminal software copyright infringement cases against several major companies in Hong Kong, Singapore, Italy, Spain and other countries over the past year.

Now BSA is turning its attention to efforts to promote software copyright protection in Europe. Last Monday, the group submitted its views on the proposed EC directive to Mrs Carla Hills, the US Trade Representative, seeking US government support.

While supporting the draft EC directive, the US industry group has raised serious concerns about proposed amendments, which it claims have been influenced by some of Japan's largest computer producers, that would allow "reverse engineering" of computer software.

The directive under debate could have a big influence on shaping the future of European computer sales

"Reverse engineering would allow firms – especially large Japanese hardware companies – to copy successful computer programs after others have invested the research and development needed to bring the programs to market," BSA charges.

"If such a process were made legal (in the EC)...it would primarily benefit large Japanese computer companies, which to date have been relatively unsuccessful in the computer software market," the US industry group claims.

One large electronics manufacturer has been the major force behind the Japanese lobbying effort, according to Mr Douglas Phillips, president of BSA.

"We have been out front in representing our views as those of the US software industry – which we believe are also in the best interests of European software companies," he adds. Japanese companies have, however, tried to mask their lobbying efforts behind European and US companies with which they have ties, he charges.

"To the extent that there are European or American proponents of reverse engineering, and not merely European spokesmen for Japanese interests, virtually all of them are hardware manufacturers of mid-to-large range computers, especially mainframe computers," BSA charges.

"It is critical to recognise that these (mainframe and minicomputer) segments represent a decreasing part of the computer industry. By the end of 1992, mainframe computers will constitute only seven per cent of the total computer market," the industry group stresses.

Legalisation of reverse engineering would represent a substantial setback for both European and American companies, according to US industry officials.

"By weakening legal protection for companies that develop innovative products, reverse engineering would threaten continued technological growth," BSA told the US Trade Representative.

Japanese to abide by chip deal

By David Buchan in Brussels

JAPANESE semiconductor producers will have to, from this Friday onwards, respect a minimum floor price on the dynamic random access memory (Dram) chip sales to the EC, under an agreement with the European Commission.

This undertaking, to be published in tomorrow's EC Official Journal, ends a three-year Brussels inquiry into the dumping of Drams in the EC. Eleven Japanese chip-makers, accounting for all current Dram sales to the EC, have agreed to stick to the minimum price, but the EC is imposing a notional 60 per cent provisional anti-dumping duty which would be applied to any Japanese starting up Dram sales to the EC without respecting the price undertaking.

The EC-Japanese price arrangement mirrors a similar deal the US struck with Japan in 1986, about which Brussels complained loudly at the time. The Commission says it will review its chip-price arrangement with Japan in 1991, when the US-Japanese deal is due to lapse. An EC official said the deal met the interests of users, as well as producers, of Dram chips in Europe.

EC loses two key farm disputes

THE European Community has lost two key trade disputes over farm products with the US, William Dullforce reports from Geneva.

Tomorrow, in the Gatt Council, it will accept a ruling by a disputes panel that it must alter its regime for subsidising output of soyabeans and other oilseeds by its farmers.

Another disputes panel has ruled against an EC complaint that in curbing sugar imports, the US was wrongfully exploiting the waiver from Gatt rules for its farm products it secured in 1955.

The finding has been sent to the two sides but is not yet available to other Gatt members.

The rulings are a blow for the EC, which tabled its charges against the US sugar import curbs as a tit-for-tat for Washington's attack in Gatt on the EC's oilseeds subsidies.

EC foreign ministers decided in December that the EC must bow to the Gatt panel's ruling on oilseeds, when the report is submitted to the council tomorrow.

But the EC is expected to contest some implications, and tie implementation of the ruling to developments in the Uruguay Round trade talks,scheduled to end this year.

In the farm reform talks, which form the centrepiece of the Round, the EC has insisted that any agreement to reduce farm subsidies and other supports must allow a country partially to offset cuts in some areas with increases in others, provided the overall trend in its supports is downwards.

The US sees this insistence on "re-balancing" as a surreptitious way for the EC to restore customs duties on oilseed imports.

At stake in the US complaint to Gatt were EC imports of soyabeans, rape and sunflower seeds, and the animal feeds derived from them, which have been running at an annual level of just over $5bn.

Washington claimed that increased output in the EC, stimulated by subsidies to producers and processors, discriminated against foreign suppliers in violation of Gatt rules.

EC imports from the US had dropped from over $3bn in the early 1980s to less than $2bn in 1988, while EC oilseed output climbed from 2.5m tonnes in 1980 to 9.3m tonnes.

The US claimed EC subsidies circumvented the duty-free entry to its oilseed market which the EC had agreed to in Gatt in the early 1960s.

Rejecting Brussels' argument that its payments to processors were equal to subsidies exclusive to domestic producers allowed by Gatt, the panel told the EC to make its regulations conform to the rules.

It also decided the direct subsidies to oilseed producers impaired the value to the US of the EC's zero import tariffs; the EC had to eliminate the impairment.

UK-Malaysia arms deals still wait to be signed

CONTRACTS for the bulk of Britain's £1bn-package arms deal with Malaysia, first signed in September 1988, are still waiting to be signed after lengthy talks, David White, Defence Correspondent, reports.

Mr Tom King, UK Defence Secretary, is expected to visit Malaysia soon. The Defence Ministry would not give details of his plans. Confusion about the deal has been increased by Malaysia's insistence that the two main contractors – General Electric Company and British Aerospace – sign confidentiality clauses.

Despite a report that contracts were secretly finalised last autumn, it is understood only one deal has been concluded. This covers two Martello ground-based air-defence radars from GEC's Marconi Radar Systems offshoot, with supporting infrastructure. BAe has still not sewn up the contract for the central part of the arms deal - supply of Tornado combat aircraft. Malaysia is expected to take eight of the Anglo-West German-Italian jets, with options for four more.

This contract would include electronic warfare equipment from GEC, which is also negotiating to sell Malaysia communications, command and control systems. UK officials are sure the deal will go through, but uncertainty exists about the extent of Malaysia's requirements from the UK, initially due to include Rapier air-defence missile systems, portable Javelin missiles, howitzers, and light guns. The Rapier sale is in doubt. Swan Hunter and GEC's Yarrow subsidiary are vying to supply two armed corvettes in a deal worth £150m-£200m, but they may face German competition.

LEGAL NOTICES

T W KEMPTON LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at THE GRAND HOTEL, GRANBY STREET, LEICESTER, LE1 6ES

on Friday 2 February 1990 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown below, no later than noon on Thursday 1 February 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date: 17 January 1990

J F Powell and I N Carruthers
Joint Administrative Receivers

Cork Gully
43 Temple Row
Birmingham B2 5JT

NOTICE OF INTENTION TO REDEEM

To the Holders of

THE PROCTER & GAMBLE COMPANY

9⅞% Series A Notes Due December 15, 1992

NOTICE IS HEREBY GIVEN to the holders of the outstanding Notes described above (the "Notes") that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 15, 1985 and the Notes, The Procter & Gamble Company has elected to and will redeem on February 16, 1990 all of its outstanding Notes in the aggregate principal amount of $148,950,000, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

Payments will be made on and after February 16, 1990 against presentation and surrender of Notes with coupons due December 15, 1990 and subsequent attached in lawful money of the United States of America, subject to applicable laws and regulations, either at the main offices of Morgan Guaranty Trust Company of New York in London or Brussels, or at the main offices of Swiss Bank Corporation in Basle and the main office of Kredietbank S.A. Luxembourgeise in Luxembourg. All payments shall be made in United States dollars by check drawn on, or transfer to an account maintained by the payee with, a bank in New York City, subject to any laws or regulations applicable thereto.

Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

On and after February 16, 1990 the Notes will no longer be outstanding and interest thereon shall cease to accrue.

THE PROCTER & GAMBLE COMPANY
By: Morgan Guaranty Trust Company
OF NEW YORK, *Fiscal and Paying Agent*.

Dated: January 18, 1990

FINANCIAL TIMES SPECIAL REPORT

EAST EUROPE IN FERMENT

The Wall is down . . . FT writers assess the political realignments that are reshaping a continent

THE countries of Eastern Europe begin 1990 in a state of great tension. Their peoples, who have achieved very different liberations over the past year, have been catapulted out of authoritarian rule into a kind of limbo, in which both the past and the future pull strongly upon them. All have made a break — some more decisively than others: yet the administrations which struggle to hold their political rings possess neither the former power of state communism, nor yet the mandate of their people expressed in free elections.

Two of them — Vaclav Havel, President of Czechoslovakia, and Tadeusz Mazowiecki, Prime Minister of Poland — were borne into office by the power of popular movements, and act as guarantors of the popular will as well as leaders of their state or government. The rest — Miklos Nemeth, Prime Minister of Hungary, Hans Modrow, Prime Minister of the German Democratic Republic, Ante Markovic, Prime Minister of Yugoslavia, and Petar Mladenov, General Secretary of the Bulgarian Communist Party — are all "reform communists" of varying credentials. Between two camps is Ion Iliescu, President of Romania, a former high Communist official under Ceausescu, forced into dissidence, brought to power by the revolution, suspected of communist or, at least, authoritarian leanings, with perhaps the most tenuous grasp on power.

These are the tightrope walkers of contemporary politics, teetering between a state in which they found civilised life to be impossible and another which they must fear is unreachable. Below them always, an abyss: and they may be toppled into it at any time by the demands of their fellow citizens — demands for more freedom, more bread — or, as in Romania, more blood.

Thus, these coming 12 months are likely to be less brilliant, more confused than the miraculous year of 1989. No bad thing, perhaps: stability, if it is to be won, cannot be found in the occupation of the streets and the prolongation of the joy of seeing authority abased. They are bound to be more divisive: certainly no bad thing, for the divisions should be those of the interests and classes producing parties which create a democracy.

Nearly all have set times for an election — only Poland, the first to rise, seems stuck in an agreement to preserve a Solidarity-Communist-Peasant-Democrat coalition for a four-year term. Hungary, whose communists withered themselves away with a name and programme change in the autumn, goes to the polls on March 25: a sophisticated set of opposition parties hold out a good chance for pluralism. Romania has set April, East Germany May 6 and Bulgaria June for their elections: all the opposition groups in these countries say that is ridiculously early for a democratic test, and suspect an attempt by the communists — or in Romania's case, the ex-communists — to railroad themselves back into power. Czechoslovakia, with a political culture rapidly developing under the umbrella of the Civic Forum, has set June 8. Yugoslavia, whose reform moves crab fashion between the competing suspicions of the six republics, has set no date: its commitment to pluralism, so far only voiced by the federal leadership, will be tested in the aftermath of the League of Communists' congress this week.

The position of the communist parties in these states is always a deeply anomalous one. They retain, still, large bureaucracies, wealth and organisation: their secret police are generally still in place — most controversially in the case of the GDR; their monopoly of political power meant that only they knew how to rule, how to pull the levers which they had put into place. Yet the stripping of their power, nowhere complete, has meant that the *nomenklaturas* which ran every facet of national life are now turning this way and that for new leadership: the Solidarity ministers, once fearful of taking power because of fear of sabotage from a hostile bureaucracy, find malleable, compliant and sometimes even efficient officials to do their will. The problem for the Polish government has not turned out to be how to rid themselves of uncivil and disloyal servants — but how to keep the better ones on low official salaries, as the private market dangles higher wages before them.

Besetting the Communists is a great fear of revenge. Though they may have changed their name (Hungary), ditched their party allegiances (Romania), be working in amicable harness with former enemies (Poland, Czechoslovakia) or say they are striving for the deepest of democratic reforms (Bulgaria, GDR, Yugoslavia) they are uneasily aware of what a sea of pent-up resentment surges below them.

These parties ruled in unbroken succession from the Stalinist machines which shot, tortured and imprisoned in the 40s and 50s; half-heartedly reformed then repressed again in the Sixties and Seventies; and clung on to power until the Soviet guarantee was gradually removed in the second half of the Eighties. These parties tried to stamp out religious faith, independent creativity, private initiative and even, where they found it threatening, familial affection. They all created a vast network of secret police, who felt no compunction about using mass coercion or the most intimate of threats. Of course, there were large and very important differences: a thousand times better to be a dissident in the Eighties than in the Fifties, or to be an Eighties dissident in Hungary than an Eighties dissident in Romania: these were differences of life and death. But in principle, it came to the same thing: dissidence was enforced on those who thought, acted, worshipped independently.

Hence, now the potential for revenge. Lives, after all, have been ruined: not only those of the broken old men and women who survived the Stalinist period — but of their sons and daughters denied educations, or jobs, or travel, or even freedom simply *because* they were sons and daughters: or because they protested. Vaclav Havel spent five years in prison: Tadeusz Mazowiecki one. They have renounced vengeance, and beg others to do the same: Mr Havel, in a presidential New Year speech of transparent power, drew on his reserves of moral capital to propose that: "We must accept this legacy (of the past 40 years) as something we have brought upon ourselves. If we can accept this, then we can understand that it is up to all of us to do something about it. We cannot lay the blame on those who ruled us before, not only because this would not be true, but also because it could detract from the responsibility each of us now faces — the responsibility to act on our own initiative, freely, sensibly and quickly."

But can such a complex reading of responsibility carry the day not just in Czechoslovakia, but throughout a region whose peoples are slowly realising they need fear nothing from hitting back? 1989 was a year in which the men and women who hated the system won through to the mass of people and produced revolutions, often at great initial risk. 1990 will be the communists' year of living dangerously: they must hope the humanism of Havel, Mazowiecki and others is widely shared.

It will be harder to keep the peace if and as the economies dive. As far as the people are concerned, they all will. Poland, the pioneer — it introduced a package of economic liberalisation on the first of this year — will be a kind of laboratory. Real wages will fall by around 20 per cent, prices will rise in this month by 45-50 per cent. The devaluation of the zloty, necessary to restore faith in the currency and to prepare for convertibility, means even the richer Poles have to cut back on the luxuries they queued for in the Pewex shops. Credit restraint to enterprises will mean unemployment figures mounting steadily through the first part of this year. The hard pounding the Polish government will now have to take would make the strongest western administration shiver: no wonder the appeals for Western aid made by Lech Walesa on his tour through Western countries in December took on a slightly desperate edge.

Yugoslavia, with inflation above Polish levels, also chose January 1 for a programme of economic reform which introduced a convertible currency and tight monetary and budget controls and a six-month wage freeze. Because of its relatively advanced system of establishing markets — which cut central planning without imposing real financial discipline on enterprises — Yugoslavia has some healthy sectors, especially in Slovenia and Croatia. Its constantly crippling problem — which will be acute this year — is to find the necessary political consensus to push through hard measures.

Others seem better placed. Hungary has already attracted General Electric to buy Tungsram, its lamp producer: and earlier this month, General Motors signed a deal worth $100m with the Raba truck and engine manufacturer to make engines and cars in a joint venture 67 per cent controlled by the US company. The country has the beginnings of a stock exchange and is vigorously pushing its companies on the world market: some, like the Icarus bus maker and the Taurus tyre manufacturer (in which Pirelli has taken a stake) are relatively well managed and run.

Czechoslovakia, late into the arena, may be even more successful. Its economy thrived before the war and 40 years of communism, as Prime Minister Marian Calfa bitterly reminded his Comecon partners in Sofia in early January: its new economic team are preparing a package of interim measures for March, which will open up the country to foreign investment, permit private ownership, release enterprises from most of the restraints of central planning and begin to cut subsidies, probably starting with rents. The troika of economic ministers — Dr Valtr Komarek, first deputy premier, Mr Vladimir Dlouhy, deputy premier and the planning chief, and Mr Vaclav Klaus, the Finance Minister — are the most outspoken free marketeers in the post-communist states, scornful even of the Poles and Hungarians whom they regard as too cautious, dedicated to finding entrepreneurs and letting them fend for themselves.

The GDR is the most singular. As advanced technically as any of its socialist allies — that is, not quite so far behind the West — it is nevertheless moving towards opening its economy with great caution. Professor Christa Luft, the Economics Minister, has issued temporary decrees allowing foreign (minority) participation in GDR enterprises and permitting private companies. But behind these moves is the unanswered question — when will the two Germanys unite, submerging all talk of a separate, socialist state?

The Bulgarians and Romanians, with devastated economies and a reliance on the Soviet Union, will be unlikely to initiate programmes of anything like the boldness of the other states — which will, ultimately, increase the economic and political distance between them. They will woo western aid and investment: but they will be low down in the queue.

Distance will be, perhaps, the dominant theme of the coming year. As Comecon effectively withers away through the end of its five-year planning cycles and the agreement to switch to hard currency trading from early next year, the economies of its member states will seek their separate salvations. As Soviet troops are withdrawn from these states, and if the progress of disarmament keeps up its expected rapid pace, so their geopolitical alignments will also swing free; the Warsaw Pact is no more likely to survive than Comecon. The attraction of the European Community and the European Free Trade Area is great on the Central European states: Poland and Hungary are already committed to forging a close relationship, and Czechoslovakia will not be far behind.

Though all are still skewed towards the Soviet Union because they need its cheap oil and its unsophisticated markets, and because their fully or semi-ruling communist parties still automatically look to Moscow first, the real reformers know they must claw away from that floundering power if they are not to be taken down with it as its economic reforms hit self-imposed barriers, and its nationalities pull away from the centre, impelled by the same fear of collapse.

The East European states owe much to Mikhail Gorbachev: he recognised that he had to end the Brezhnev doctrine which imposed Soviet rule on all (and called it defending socialism): even though the loss of empire was inevitable, it took courage. Yet they must now leave him to the forces he has helped unleash, and leave fast. New configurations of alliances and even federations will no doubt be essayed: for the moment, the drift is westwards, to aid, technology, expertise and markets.

This will be the year when the great fluidity 1989 created will begin to set a little: when decisions are made to determine economic and political orientations. It will lack the grandeur of 1989: it will be no less momentous for the peoples of the eastern part of the common European home.

John Lloyd

Who is paying for the revolution? asks **Stephen Fidler**

Much more than money required

AS THE euphoria of a year of change in East Europe gives way to cool appraisal, it is becoming clear that for many countries the political revolution will prove to have been easier than the necessary transformation of their creaking economies.

Yet, although all need to improve significantly the way their inefficient economies function, the new rulers in East Europe face a differing array of problems and constraints. Views also differ from country to country on how far and how rapidly to move towards capitalism.

Each country, too, has a different requirement for western finance and the ability of each to attract that finance differs broadly.

Parallels are often drawn between the Marshall Plan, through which US aid helped rebuild the economies of western Europe after the Second World War, and the western plan to help transform East Europe. Yet the Marshall Plan essentially provided grant aid from the US, while most western financial support pledged for East Europe has so far been in the form of loans. A build-up of debt risks, in the view of some observers, a new debt crisis for East Europe.

Poland

The country likely to be most dependent on western financial help is fortunately the first in line to obtain it: Poland.

Just over $1bn in grants and loans from industrialised countries, following an agreement for a standby credit of $725m from the International Monetary Fund, is available to stabilise the exchange rate despite the acknowledged risk that the funds could be wasted if the zloty is pegged too high.

If stabilisation succeeds, Poland's economy has severe structural problems, some idea of which in Poland can be gauged from its World Bank programme. The Bank is prepared to commit $1.5bn-$2bn in project finance and structural adjustment loans to Poland before the end of 1991, although actual disbursements are likely to be less than that.

Some of these will be co-financings with other institutions such as the European Investment Bank, which itself has pledged $1bn to Hungary and Poland over the next three years but has yet to build its expertise in the region. Other possible co-financing partners include export credit agencies such as the Japanese Ex-Im bank, and commercial banks.

According to Mr Eugenio Lari, the executive director of the World Bank for Europe, Middle East and North Africa, the Bank lending plans cover an initial $360m in project loans to develop export industries, the agro-industry and cattle feed projects. A further $1bn of project loans are in the pipeline, half of which could be committed by mid-year, including projects covering transportation and energy.

Policy reform loans totalling $300m, which disburse more quickly, could also be in place by mid-year to support enterprise reform, privatisation, and some financial reform. It will also contribute to a social safety net, although the sums contemplated by the Bank to mitigate the social effects of restructuring have been criticised as too small.

Poland will also benefit from food aid, $875m of which was pledged last year, and more for this. It will also have access to significantly expanded trade credits. The West German government, for example, has pledged DM3bn of government guaranteed trade credits — of which commercial banks will contribute at least 15 per cent — as well as forgiving aid loans.

But while Poland is not likely to be short of offers of new credit, the wisdom of a further build-up of debt is questionable given that it has no chance of servicing even its existing obligations.

It is thus likely that a large part of Poland's foreign debt of $40bn will have to be forgiven. While a framework exists for the writing down of Poland's debt to banks, under the Brady initiative launched in March 1989, no such concessions by governments have been made for middle-income debtors such as Poland. Yet government credits dominate Poland's foreign debt, since only about $9bn is owed to commercial banks.

The expectation that commercial banks will be forced to grant debt relief to Poland suggests that there will not be much in the way of traditional new commercial bank loans for the country. On top of that, some prominent bank lenders are taking the position that they will not write down loans for Poland unless government creditors do the same.

Western officials are sensitive about the forgiveness of trade credits abroad, because they are aware that once a precedent is set, it will be difficult to refuse other middle-income debtor countries such as Brazil and Mexico. Most likely in 1990 is a rescheduling of existing Paris Club debts, without a concession of debt forgiveness. This will push into the future the inevitable debt forgiveness.

Hungary

Hungary is another country whose existing foreign debt suggests a large constraint on its future ability to attract foreign finance. Its admittance that the previous regime lied about the extent of this debt underlined that Hungary is a severely-indebted country and it is defined as such by the World Bank.

Yet it has never rescheduled its debts and the difficulties faced by other countries that have done so make avoiding rescheduling a likely priority. Western officials say that it will be touch and go. The uncertainty about Hungary's ability to attract foreign finance is heightened by the timing of the 1990 elections, and worries that the improvement forecast for the Hungarian current account deficit (from $1.4bn-$1.5bn this year to about $550m in 1990) will not take place. An IMF programme, with a loan of about $500m, is possible, and a further Ecu1bn ($1.2bn) over five years has been promised from the EC. However, a transfer of resources must await a clarification of future policies later in the year.

Romania

The only other country in the region to be a member of the IMF and World Bank is Romania. Far from having a debt problem, Romania is — to borrow a term from corporate finance — underleveraged. This is a legacy from the decision by the Ceausescu regime to free itself of foreign influence by paying off its debts. Although the extent to which the loans were repaid was probably exaggerated, debt was reduced through a vigorous suppression of consumption to discourage imports and encourage exports, the social costs of which were so harsh they would be impossible to contemplate except in a dictatorship.

But ironically, if it wanted, Romania could have quick access to multilateral, bilateral and commercial finance now the ban on new foreign borrowings has been lifted. It has already asked the EC for help and has been promised it. Farm credits from the US have been requested.

Yet Ceausescu also so depleted his country of potential decision-makers, economic statistics were so distorted and his economic policy so disruptive, that it is likely to be some time before a coherent economic strategy develops.

Bulgaria

In Bulgaria, too, poor economic statistics need to be corrected before a true picture of the state of the economy can emerge. If the figures are to be believed, it has enjoyed a more rapid rate of growth over the past 10 years than its neighbours, but it is heavily dependent on trade with East Europe. Its external debt, estimated in 1988 at $9bn but possibly in fact more, makes for a debt service ratio of nearly 30 per cent, high but not close to the levels of Hungary and Poland.

Czechoslovakia

Asked which countries appear to have most qualities necessary for success, western officials and bankers would cite Czechoslovakia and East Germany. The former has a relatively low debt burden, of about $6bn, allowing it continued access to market-related borrowings at relatively fine margins. Its formal application for membership of the IMF and the World Bank is likely at any time, although it will take time for any loans from these agencies to come through. A highly educated workforce, its geographical position on the borders of West Germany and Austria, and an infrastructure which, though dated, appears less devastated than in other countries in the region. It is in Czechoslovakia's border regions where some bankers and businessmen believe that a free-trade zone, such as that on Mexico's border with the US, could be an attraction for western direct investment.

German Democratic Republic

East Germany, though with a high debt burden, is regarded as a special case; not so much because its industrial structure is the most advanced in East Europe but because of the direct interest of West Germany. If there is to be the expected progress towards a pluralistic political system, then West Germany will undoubtedly play an overwhelming part in co-ordinating and providing much of the funding. Many of Germany's partners in co-ordinating western aid hope that this will not dominate West German thinking to the detriment of other countries in eastern Europe. There are, however, complications about whether East Germany could or should become a member of the IMF and World Bank in its own right.

For all the countries, over the longer run, the presence of the new European Bank for Reconstruction and Development is likely to become increasingly important but is unlikely to make much impact until at least 1991.

Before that the western European governments which will be its main shareholders must decide on its exact role. The French government, which sponsored the idea, envisages a larger institution, possibly capitalised at Ecu15bn. The British, prefer a smaller institution which could subsequently grow if necessary. Britain believes western help should be strongly directed toward lending and equity investment in the private sector and fear a larger bank would channel funds to the state organisations at the root of these countries' economic problems.

The bank's sponsors must also decide whether in principle it should lend to the Soviet Union. In practice, lending would only take place if and when the Soviet Union moved convincingly to democracy. The size and scale of the USSR could dwarf its smaller neighbours' demands.

In the mean time, while the Soviet Union's debt to GDP ratios — a rough measure of solvency — looks small enough, the share of hard currency export revenues swallowed by debt service — a measure of liquidity — look disturbingly high. The question being asked by some bankers this year is whether bank debt for Hungary and the USSR will join that of Poland in trading in the secondary market at a below-par price. If that happens, traditional balance of payments finance will be even more difficult to obtain. As some Soviet academics have suggested, the Soviet Union might then have to use the resources, such as its gold reserves, to back the loans received.

Yugoslavia

For some in East Europe, Yugoslavia's economic problems are proof that the so-called "third way" between capitalism and communism will not work. In 1989, the country faced severe internal difficulties, including high inflation, although its strong external position has helped to alleviate the seriousness of its debt problem. A wide-ranging economic programme, launched at the start of 1990 and designed to secure an IMF loan, made the dinar convertible.

In the longer-term, assuming there is no retreat to state control, the issue for all countries will be the extent they can attract sustainable inward capital flows. Given that a build-up in borrowing from foreign governments and banks is not desirable over the long term (for some countries, even over the short term), this will depend heavily on the ability of such countries to encourage direct investment and project finance. Their ability to do this will in turn depend on the legal, accounting and foreign exchange frameworks which have yet to be put in place.

In the last analysis, finance will mean nothing unless it is used to reform economies, either directly or through ameliorating the social dislocation that reform will generate.

Mr Lari of the World Bank considers it is not the central issue. "Financing without major policy changes and without technical assistance would be a disastrous failure." For example, deep reform of banking and finance is needed, small and medium enterprises and joint ventures must be encouraged, a social safety net developed, and a different system of education is needed. "All this," he says, "requires much more than money."

CZECHOSLOVAKIA

Citizens rise to the challenge

CZECHOSLOVAKIA had the most joyful revolution, and perhaps the most complete. Its ruling Communist Party did not so much lose power, as lose the will to do what was necessary to retain power. When, on November 17, a demonstration largely mounted by students was beaten down by police, the aftermath was not a sullen retreat but, the next day, a bigger demonstration: the authorities responded not by more force, but by passivity. Sensing the weakness of a Communist Party whose rigidity masked a deep fear of any kind of change, the protests were stepped up.

The godfathers of the protest were those lonely souls who had begun, more than a decade before, the Charter 77 movement – of whom the most prominent was the writer Vaclav Havel. Within days, this Bohemian jailbird had emerged as the moral and actual leader of an umbrella group called the Civic Forum: an inchoate, hectic body which seemed to express the pent-up longing for freedom on behalf of all of the nation. Tentatively at first, then with increasing confidence, Civic Forum dictated the rate of political change.

Yet, as crucial as the demonstrations was a very brief speech made on November 23 to a smallish group of workers at the vast CKD enterprise on the outskirts of Prague. It was given by Misolav Stepan, then a member of the Politburo and the party boss of Prague. The authorities would not, he told them, seeking to strike a populist note, be told what to do by "15-year-old children". For a moment, it seemed as though the point went home: then a chant began: "We're not children. We're not children". The chanting gathered force: Stepan was silenced.

This might have passed – had it not coincided with Czechoslovak TV's virtual takeover by its staff, who forced it to broadcast something approaching objective coverage. And so the humiliation of Stepan, which would have been routinely suppressed, was broadcast.

After that, the Communist Party's authority was finished. It had deposed Milos Jakes, the general secretary, to elect the 48-year-old Karel Urbanek in his place: slice by slice, a new politburo and central committee appeared in the course of December. Inexorably, it slid from power: and though the new Government – the second since November 17 – is led by a communist, Marian Calfa, and had a slim majority of communist ministers (no longer, since at least two have left the Party), its composition and programme was dictated by Civic Forum.

This leaves, of course, as many questions unanswered as anywhere else. What will happen to those – now expelled from the Party – who were responsible for "inviting" the Warsaw Pact armies to invade their country in 1968? What will happen to the secret police. What will happen to the Party's property? Will the Czechoslovaks confine their desire for revenge on their oppressors to mockery – or will it take a more violent expression?

For those who now seek to lead the country to democracy, the answer is plain: submerge the past and work for the future. Vaclav Havel, now president, has talked of the moral decline of the country and of the need to retain and develop the regenerative mood which was part of the Civic Forum. The new economic ministers are working through a provisional plan which will see the deregulation of the economy, with private enterprise and foreign investment given freedom, subsidies cut and state planning dismantled. They point to the country's past as a wealthy pre-war state, and to the relative efficiency of Czechoslovak enterprises: but, most of all, they put their trust in the talents and energy of their fellow citizens, and in their ability to rise to a challenge.

Elections are to be held on June 8, and already Social Democratic, Christian Democrat, Peasants, Liberal and Green parties have been formed and are touting for votes. The Communist Party is undergoing a late bout of reformism, as the Democratic Forum of Communists, and party members who say they were silenced over the years, are attempting to transform it into a democratic socialist party. The authority of Havel and his fellow dissidents in government – Jan Carnogursky, now the First Deputy Prime Minister; Jiri Dienstbier, the Foreign Secretary, and Peter Miller, the Labour Minister – are sufficient for now to stabilise the situation. The Communists will almost certainly not do well: but the Social Democrats and the Christian Democrats have an honourable history of opposition, while the Greens operate in a country where pollution is, in places, terrible.

John Lloyd

Dominant peasantry: mediocrity prevailed over competence in Zhivkov era

BULGARIA

A fragile future for democracy

LESS than three months after the downfall of Mr Todor Zhivkov, Eastern Europe's longest serving leader, Bulgaria's new communist party leader continues to hesitate about introducing radical economic and political reforms.

The reason for the delay in pressing ahead with structural changes is partly explained by the deeply-rooted conservative attitudes in the party as much as the country's weak political culture.

When Mr Zhivkov was ousted on the night of November 16, the country breathed a sigh of relief. But instead of capitalising on his popularity to push through economic reforms, Mr Petar Mladenov, the new party leader and former foreign minister, had first to contend with two issues.

The first issue was economic. The leadership had inherited an economy dominated by inefficiency, corruption, vested interests and shortages. The leadership itself has no real picture about the precise state of the economy because of practices stretching over four decades during which, as Bulgarian economists admit, statistics were repeatedly falsified.

Then there are the entrenched vested interests in the provinces, once described as "feudal barons", which pose another problem for the leadership. So far, it has hesitated to push out the old guard. This thankless task has been left to Mr Andrey Lukanov, the respected number two in the leadership who is now in charge of economic and cadre policy. But given his background – he is an intellectual, was Minister for Foreign Economic Relations and was repeatedly denied access to full membership of the politburo under Mr Zhivkov – Mr Lukanov lacks a strong party base to enable him to push aside the old party apparatus. His task may be made easier by the forthcoming party congress which will elect a new central committee.

Even when this is carried out, the leadership faces a harsh reality: the virtual absence of a managerial/technocratic class with which to implement the reforms. The younger generation, as a whole, was denied the right to travel and study abroad during the Zhivkov era which was dominated by a peasant class in which mediocrity prevailed over competence. Those bright, young economists who are now in the government owe their positions largely to Mr Lukanov who judiciously promoted but protected them when he was minister.

The leadership has another burden to carry. Unlike Poland, Czechoslovakia or Hungary, where in different instances a combination of pressure from within and outside the party forced the leadership to implement reforms, Bulgaria's opposition is only now slowly beginning to find its voice. But it is a divided one.

This phenomenon has played into the hands of the conservatives. For without public pressure, the reformers remain weak. If they cannot depend on articulate forces outside the party to apply pressure on the party apparatus itself to speed up the process of reform, then the reforms will amount to no more than half-baked measures.

The opposition which does exist contains at least a dozen groups, ranging from Podkrepa, the independent trade union, led by Mr Konstantin Trenchev, to Eco-Glasnost, the independent environmental movement, which will stand in this year's first, free elections since the Second World War. But the groups are small. Their power bases are weak. Their political programmes are vague, largely because of the country's extremely weak political culture and the suffocation of all political life for four decades.

All these factors have given the conservatives in the ruling Bulgarian Communist Party ample opportunity to exploit the vulnerability of the reformers and the inexperience of the opposition. Nowhere has this been more apparent than over the question of the fate of the country's 1m ethnic Turks.

For decades the Communist Party denied the existence of this minority. But when Mr Mladenov vowed last month to restore cultural and religious rights to the Bulgarian Turks, party conservatives exploited the latent anti-Turkish sentiments in the country and instigated a wave of demonstrations which called for the resignation of the government led by Mr Georgi Atanasov, as well as those responsible for wanting to restore the rights of this minority who are a crucial component of the economy.

Despite this unrest and all the problems he has inherited from the Zhivkov era, Mr Mladenov remains committed to improving Bulgaria's tarnished image.

In the spirit of the 1975 Helsinki Final Act, he has granted Bulgarians the right to travel. To gain popular support, he has abolished censorship. In an attempt to attract much-needed foreign investment, the government is working on a new joint venture law. *If* the nationalist lobby can be contained, these three measures might ensure a degree of stability as Bulgaria embarks on an uncharted road towards a very fragile democratic future.

Judy Dempsey

YUGOSLAVIA

Where East meets West

YUGOSLAVIA is at a crossroads. It is a crossroads between East and West, between Europe and the Balkans, between democracy and authoritarianism. It is a crossroads with which Mr Mikhail Gorbachev must clearly identify. Yugoslavia, after all, is a microcosm of the Soviet Union.

From north to south, parallels could be made with its giant Slav neighbour. Slovenia, the small, relatively rich, homogeneous and well-educated Republic which is tucked in the north of the country and which borders with Austria, has retained the traditions of the Habsburg Empire.

Endowed with a Protestant culture and access to Europe, its political outlook remains embedded in the European tradition. Under such circumstances, it is not surprising that the ruling communist party in the Republic, until recently led by the reform-minded Mr Milan Kucan, has granted concessions to the emerging independent political parties.

But as the reforms sweep through the republic, Slovenes are becoming increasingly tainted by nationalist aspirations largely because they resent the growing nationalism of Serbia, the largest of the republics which is led by Mr Slobodan Milosevic. For them, Serbia wants to reassert its dominance over the Federation.

If Slovenia has a certain ideological/nationalist kinship with Lithuania, neighbouring Croatia, a small republic stretching across the north with a predominantly Catholic population, reflects the growing aspirations of Latvia or Estonia. Although the Croats have gone nowhere as far as Slovenia in calling for autonomy from the Federal party structures, there is growing discontent in the republic with the political inertia and corruption of the League of Communists of Yugoslavia (LCY).

Further south, Serbia, like Russia, remains the giant of Yugoslavia and the key player in the future of the Yugoslav Federation.

For years, the late President Josip Broz Tito attempted to contain this proud nation of more than 8m Serbs. He did this by carving out of the Republic two provinces, Vojvodina, a plethora of small ethnic groups tucked away in the fertile, agricultural north, and Kosovo in the poor, under-developed south. But Tito's death in 1980 opened the genie's bottle of nationalism, sentiments which were taboo under his authoritarian rule. The end of the Tito era allowed Serbs to assert their identity.

And as one proceeds southwards towards the borders of Albania and Bulgaria, the rugged republic of Montenegro, more like the Soviet republic of Georgia in its energy and instincts, remains divided in its political sympathies between Serbia and Slovenia. The same applies to Macedonia, a terribly poor republic, more like the southern republics of the USSR.

Further south lies the province of Kosovo. Dominated by the ethnic Albanian majority, it is a veritable tinderbox. Like Azerbaijan and Armenia, Kosovo wants its autonomy from Serbia. Through constitutional amendments passed last year, Serbia regained direct control over the province which, in the Serbian consciousness, is regarded as the cradle of Serb culture. Today, it is regarded as the Achilles heel of Yugoslavia.

Ruling over this country of rich but divergent cultures, each with different political traditions, has become almost impossible. Tito could do it because his style was authoritarian, because he had goodwill from the West and because the economy was held together by hard currency loans.

But today, the LCY's power and authority has completely fragmented and lacks popular support. To compound the problem, the country is saddled with an inflation rate of more than 1,000 per cent a year, rising unemployment and a hard currency debt of $19bn.

Finding ways of overcoming the economic crisis, the growing nationalism and the paralysis of the LCY has not been easy. The individual parties in the republics have resisted attempts for power to be centralised in Belgrade. But precisely because of this resistance, nationalism has become an important weapon through which the republics attempt to assert their own autonomy and interests.

The man who has tried to contain this nationalism is Mr Ante Markovic, the Prime Minister. He wants to put Yugoslavia back on its feet, even if it means completely diluting the communist party.

His task in reforming the economy through price reforms, wage freezes, the dismantling of the colossal bureaucracy and administration has been hampered by one main problem which Mr Gorbachev himself continues to encounter each day. Imposing an economy based on market forces but on a heterogeneous society only serves to expose the sharp political and cultural traditions in the country.

One of the ways in which Mr Markovic hopes to contain these differences, keep the lid on nationalism (if it is not already too late) and reform the economy, is to open up the country to foreign investment.

Stability will depend on how power will be distributed in the future months. The LCY has seen how the ruling communist parties in Central Europe have tumbled. The same fate could befall the LCY. Even were the LCY to concede its leading role and face the electorate, any new government will have to contend with the nationalist issue.

Judy Dempsey

Budapest housing block: economists hope for improved living standards

HUNGARY

Caution prevails

IN THE transition from the one-party state to a multi-party parliamentary democracy, the Hungarian authorities have avoided many of the pitfalls which their East European neighbours are now experiencing.

And in doing so, the country will continue to attract western investment not because the transition has been spared upheaval, but because the communist authorities, over a period of time, have set up civil institutions which should be firmly in place by March 25 when the country holds its first, free parliamentary elections for more than 40 years.

The difficult transition first started in the economy. Cautious reforms, enshrined in the New Economic Mechanism, were introduced in 1968. Those reforms, although they went nowhere near dismantling the diktat of central planning or the powers of the ministries, did create room for small, private enterprises which could in part compensate for the shortages and inefficiency of the state-run enterprises.

The reform pendulum, understandably, was erratic. It was repeatedly reined in by Leonid Brezhnev's Soviet orthodox gerontocracy and also by the then ruling Hungarian Socialist Workers' (communist) party (HSWP) which, under Janos Kadar, ousted in May 1988, maintained an uneasy consensus between the party's radical reformers and the orthodox communists.

This erratic trend continued until 1989 when a wing of the HSWP apparat, propelled by Mr Imre Pozsgay, the ardent but ambitious reformer, and Mr Miklos Nemeth, the Prime Minister, moved to dismantle the leading role of the communist party.

They achieved this in two ways:

First, Mr Pozsgay forced last February a reassessment of the 1956 uprising which was to undermine the conservative leadership of Mr Karoly Grosz. Eventually the HSWP grudgingly admitted that 1956 had indeed been a genuine popular revolt against Stalinism.

Second, after delicate manoeuvring, Mr Pozsgay and Mr Nemeth succeeded last October in forming a new Hungarian Socialist Party out of the HSWP, of which the rump was bequeathed to Mr Grosz.

These two communist officials, motivated by sincerity as much as political ambition, believed that without political democratisation, which also entailed a reassessment of the past, the economic reforms were doomed – if not to failure, then certainly to half-baked measures which would do little to win society's support in overcoming the country's crippling hard currency debt of $20bn and in containing a 20 per cent rate of inflation.

Yet, despite the absence of mass popular pressure on the communist party, the cautious policies pursued over time by the reform wing of the party showed considerable foresight in that they led to the creation of vital safety valves in the system. These included the implementation of human rights, the freedom to travel, the toleration of the second economy and a half-open door to western investment.

Furthermore, on an institutional level, Mr Gyula Horn, the respected foreign minister, Mr Pozsgay, Mr Nemeth and Mr Kalman Kulcsar, the Justice Minister, began to lay the foundations for setting up institutional structures aimed at creating the basis for a civil society which would cushion any new democratically-elected government against a political crisis.

During talks with the Opposition Round Table last September, work started on drafting a new Constitution aimed at facilitating the transition to a democracy as well as ensuring constitutional and legal safeguards for maintaining stability for the players in a new government.

The players include the Association for Free Democrats (AFD), a Budapest-based party endowed with the country's best brains. Although many of them espouse social democratic/socialist principles, their economists, such as Mr Marton Tardos and Mr Tamas Bauer, have little hesitation in advocating a free market economy.

The AFD's main contenders, the Hungarian Democratic Forum (HDF), whose power base rests in the provinces, contains an uneasy marriage between liberals and populists (or nationalists). The pragmatic wing of the HDF, led by Mr Jozsef Antall, which also supports a market economy, is likely to prevail. The Hungarian Socialist Party, will, however, fare badly in the elections.

Against this background, Hungary, in the 1990s, will be beset by two issues. One is historical. The other is economic.

Whichever party gains power – and it may well turn out to be a coalition government – such power will reflect the country's interwar traditions. The AFD, for example, are the inheritors of the Urbanists, a group of Budapest Jewish intellectuals who, in the 1920s and 1930s, looked westwards for their economic, social and political inspiration. The AFD will have to ward off anti-semitism, a sentiment which is so common in this part of Europe.

For its part, the HDF has inherited the mantle of the populists, an amalgam of Christian/authoritarian-minded nationalists who in the 1920s based their legitimacy on the preservation of the Hungarian nation and the protection of the cultural identity of the ethnic Hungarian minorities in neighbouring countries.

As for the economy, Hungarian economists remain concerned about the population's tolerance in coping with the economic crisis. Beginning this year, as part of a package required to receive a stand-by credit from the International Monetary Fund, the government sharply reduced subsidies for state-run enterprises and the administration as well as substantially raising prices on a number of food items.

Economists believe that these measures will lower even further the population's living standards. But they hope they will eventually improve following a steady flow of western capital into the country.

Judy Dempsey

David White discusses the Warsaw Pact

Identity crisis

IT IS, on the face of it, odd. On the one hand, the political metamorphoses of Eastern Europe have broken the ideological bloc and taken credibility away from the idea of the region being used as a platform for Soviet aggression against the West. On the other, the military structure which served to enforce conformity, and which for Western Europe embodied the security threat, remains in place. More than that: nobody on either East or West appears anxious to see it demolished.

One unlikely product of the past year's upheavals is an apparent consensus in favour of maintaining the Warsaw Pact along with the North Atlantic Treaty Organisation, at least in the transition to whatever alternative security order might emerge. Any new order depends on finding an answer to the question of where a united Germany should fit, and that has barely begun to be faced.

Moscow's stated goal is dissolution of both pacts, but it has changed its tone, favouring the provisional maintenance of the alliances for stability's sake. Nato, equally, would be content to see a cohesive body remain on the other side, as a vehicle for pursuing disarmament and security measures and as an alternative to a strategic vacuum. Like Nato, however, the Warsaw Pact is bent on becoming less military and more political in appearance.

If the Pact were to dissolve itself – or just evaporate – unilaterally, it would pose a big problem for Nato, which would be harder-put to justify its own existence. The Soviet Union would be able to fall back on a web of bilateral defence treaties with East European countries, to which Nato has no equivalent.

In their draft treaty on conventional arms reductions submitted at the Vienna negotiations in December, Nato countries cautiously referred to two "groups of parties" rather than "alliances", to cover the eventuality of defections from the Warsaw Pact. But Western European officials and experts see no indication that any of the Soviet Union's six European allies – including Hungary, which has been reducing its forces – is about to quit.

Troop strengths in East Europe*

* Before reductions announced or in progress

Based on Warsaw Treaty Organisation figures and Western estimates

This does not mean they will necessarily maintain the same degree of participation. Hungary's, for instance, may be no more than token, and Czechoslovakia's hitherto disproportionately large role is in some question. Western analysts will be watching closely how far members respond to felt obligations, such as in the setting up of a new air-defence network. Soviet troops in East Germany, Czechoslovakia, Hungary and Poland, totalling about 565,000, are already being cut by 50,000.

Moscow's stated aim is to pull back all foreign-posted forces by next century. But some allies are more impatient. Czechoslovakia wants its 80,000 Soviet troops, there since the 1968 invasion, to leave this year. Mr Lech Walesa, the Polish Solidarity leader, has made a similar call, and Hungary wants troops out by the end of 1991.

Some believe President Gorbachev and the Soviet General Staff have already reached the conclusion that the troops are unnecessary and their presence politically untenable. But, in strategic military terms, pulling out from East Germany and Poland is more problematical for the Soviets than elsewhere. Senior Soviet army officers are also reported to favour slowing down the withdrawal process.

Another factor is what parallel reductions the Soviets can obtain from the West (which they may need to satisfy their military). It is unclear how far the US and European host nations want or will be prepared to reduce the presence of US forces.

The Warsaw Pact is not a mirror image of Nato. Set up in 1955 just after West Germany's accession to Nato, the Eastern European Mutual Assistance Treaty served to legitimise the continued presence of Soviet forces in Eastern Europe and to integrate those countries into Soviet military planning.

Although Romania was more distanced from direct Soviet influence, the Pact has always been more Soviet than Nato was American.

It has no headquarters comparable to Nato's in Brussels, its central staff, such as it is, being no more than an extension of the Soviet General Staff. Moscow has imposed its own tactics, doctrine and equipment.

Although the treaty is nominally under Poland's custody – any country leaving must give notice to the Polish government – it has up to now been an artificial body, in which the Soviets made all the decisions.

Hungary briefly withdrew in 1956 and Albania pulled out after the invasion of Czechoslovakia in 1968, some years after breaking off with the Soviet Union.

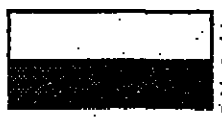
According to Mr Vojtech Mastny, Professor of International Relations at Boston University, the cohesion and "collective subordination" had by last year already become "seriously eroded, thus making the continued relevance of the Warsaw Pact more questionable than Nato's".

The Pact has never had the same permanent political institutions as Nato, although it has as its senior body a Political Consultative Committee, grouping top-level representatives of member states. It is now looking for a more Nato-like function which would enable it to articulate concerns about wider global issues and make itself more credible as a political alliance.

EAST EUROPE IN FERMENT 3

POLAND

A jump across the abyss



AT THE beginning of this year, the phoney war for economic reform in Poland came to an end. The long struggle for liberation from the dead hand of the Communist Party had been crowned with triumph. The immediate reward for the people of Poland and its new Solidarity-led Government has been the economic disaster they now confront.

Poland has an external debt of about $40bn dollars, more than half of its gross national product. Though inevitable, default will prove difficult to arrange. On Poland's internal debt, however, default has already occurred. In November, the consumer price index was 557 per cent higher than a year before and monthly rates of inflation have been running at around 40 per cent since August.

Official statistics suggest that real household disposable incomes rose by 29 per cent between 1982 and 1988, but these were measured in terms of consumer goods that were generally unavailable. More realistic is the workers' creed: "They pretend to pay us and we pretend to work." Most of those who work for the debased zloty now receive less than the equivalent of $1,000 a year.

The only hope the people retain is in their new Government. It, in turn, has begun by reaching agreement with the International Monetary Fund on the stabilisation programme that went into effect at the beginning of this year. This programme includes the elimination of almost all remaining subsidies, a one third devaluation of the zloty, to Zl9,500 per dollar, and wage controls.

The result will be further austerity in the form of open unemployment, a reduction in real wages of 20 per cent over the year, and a corrective inflation of 45-50 per cent in January alone. But, with luck (and courage in the Government), Poland will receive monetary stability, without which attempts to create a market economy will founder. Much luck will be required, for the economic success of the stabilisation programme is far from assured, partly because Poland does not possess the *normal responses of a market economy.*

The planned move to a market economy will be neither instantaneous nor smooth. Nevertheless, some things should happen quite quickly. For example, if the stabilisation programme works and trade is liberalised, prices in Poland will be equated with those in the international economy. Provided subsidies to state enterprises are also eliminated, these firms will have to respond to the pressures, even though the degree to which they will do so will undoubtedly be impaired by the ignorance, dishonesty and lack of clear responsibility of those who run them.

Other changes will take longer. A market economy demands a clear structure of property rights and an administratively effective, though non-penal tax system. Even when these emerge, the private sector is bound to grow quite slowly, while the new entrepreneurs will make many mistakes. Privatising the state enterprises will be yet more complex and politically difficult, not least because rights of ownership are at present so fuzzy.

To succeed, Poland will need a great deal of foreign assistance, both private and public. From the private sector, it will need technical assistance in areas like banking, accounting and marketing, not to mention technology and investment. Meanwhile, apart from the food aid, Poland is receiving more than $1.7bn in support of its stabilisation programme, of which $725bn is to be from the IMF. The World Bank has also promised that commitments of $1.5bn-$2bn should be made before the end of 1991.

Yet almost all these additional funds come as loans, which seems foolish when Poland is unable to service its debt. New assistance should be in the form of grants, as happened during the Marshall Aid period. In addition, Poland's official debt – about two thirds of its total debt to the West – needs to be written down.

Yet, though the West can and should do much, only the Poles can ensure success *with their unprecedented jump over the* abyss separating the ruined centrally-planned economy from the envisaged market economy. However difficult, success is not impossible. Nobody who looks at the way Poles trade throughout Eastern Europe can doubt the entrepreneurship of the Polish people; nobody who examines the wages and skills of the people can doubt the potential profitability of more efficiently organised production.

The country faces an unprecedented task. But Poland has two advantages, a Government that knows there is no alternative and a people ready to reject everything their Government has inherited.

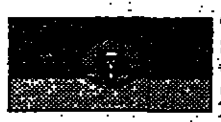
Martin Wolf

Diary of events - 1989

- ☐ **February 6** – Round table discussions involving the government, Solidarity and the Catholic Church.
- ☐ **April 7** – Agreement on legalisation of Solidarity and elections.
- ☐ **May 17** – Catholic Church recognised.
- ☐ **June 4** – Solidarity wins overwhelming victory in parliamentary elections (all 161 allotted seats in lower house and 99 out of 100 in Senate).
- ☐ **July 19** – General Wojciech Jaruzelski elected president.
- ☐ **July 25** – Solidarity invited into coalition government.
- ☐ **August 7** – Lech Walesa suggests Solidarity allies itself with two minor parties to form government.
- ☐ **August 24** – Tadeusz Mazowiecki becomes first non-communist Prime Minister in 40 years.
- ☐ **September 12** – 24-member coalition government confirmed. Only four seats go to the communists.

GERMAN DEMOCRATIC REPUBLIC

Euphoria gives way to fears



THE pillars of neo-Stalinism in East Germany collapsed on October 9, 1989 in Leipzig when nearly 70,000 demonstrators chanted "We are the people" before the grey pile which housed the hated Ministry of State Security. No attempt was made to repulse the peaceful protesters and, remarkably, the evening passed without violence.

Only 48 hours earlier, on October 7, the 40th anniversary of East Germany, the police and State Security forces (nicknamed Stasi) in East Berlin had brutally cracked down on large anti-Government demonstrations. Recognising its hopeless situation, the hardline Politburo of the Socialist Unity Party (SED) turned against its 77-year-old General Secretary, Erich Honecker, who wanted to use troops.

Deprived of Soviet support and shorn of its repressive security apparatus, the SED leadership collapsed with amazing speed. The new party leader, Mr Egon Krenz tried to convince rebellious rank-and-file members and the population that his pledge of a "new era" was genuine. But not even his decision to throw open the Berlin Wall and the border to West Germany for East Germans on November 9 was enough to gain him credibility in the population.

Despite the appointment as Prime Minister of Mr Hans Modrow, the reformist party leader of Dresden District, the rebellion against Mr Krenz gathered steam: he resigned after only 44 days.

In a remarkable choice by delegates to an emergency party congress, Mr Gregor Gysi, a personable East Berlin lawyer who defended one of the founders of New Forum, Ms Bärbel Bohley, was chosen to head the SED which was given a new set of initials, PDS, standing for Party of Democratic Socialism.

Politicians on both sides were united by an over-riding fear. They had nightmares that the mass exodus to the West, which rose to a record 350,000 citizens last year and continued unabated into 1990, would turn into an uncontrollable torrent if East Germans lost hope of economic improvement.

The euphoria of East Germans on November 9 has given way to fears that the Socialist Unity Party (SED) may be able to cling to power after the May 6 elections because of a weak and divided opposition. But the erosion of the SED's strength – from 2.3m members early last year to 1.4m this month – is likely to continue. The SED's allies in the interim coalition Government under Mr Hans Modrow, the Communist Prime Minister, are also seeking an escape route. If the SED does badly in the elections, the (East) Christian Democrats, the Liberal Democrats and the National Democrats – the former block parties – are considered certain to switch sides. The East German Social Democrats (SPD) have overcome their initial inertia and can be expected to profit by massive campaign support from the West German SPD.

New Forum, the first and largest of the opposition groups and the most amorphous, in coming months may divide into its constituent political factions. The electoral alliance formed by the six opposition parties and movements will come under severe strain as New Forum decides whether or not to become a party.

East Germans, however, worry most about the impact of economic reforms on their pockets. Inflationary price rises will result from the elimination of the vast subsidies paid to maintain artificially low prices for basic food, rent, services and transport, together with compensation *payments to the elderly and large families.* Cuts in subsidies are to be carried out in stages and the deepest-biting ones are likely to be saved for after the elections.

Professor Christa Luft, the reformist Communist Economics Minister, outlined a sweeping departure from the central planning system, including a two-tier banking sector, the issuing of shares by the Kombinate, the giant combines which dominate East German industry, and a stock market.

But market economy reforms will be difficult to implement until the elections bring clarity to the political scene. East Germany's trade commitments in Comecon are also a restraining factor, although a currency "union" with West Germany could allow the GDR to more rapidly shift its trade to the West than other Comecon members. East and West German companies working together would be a powerful team in the Soviet market.

Meanwhile, forces are at work which will radically alter the structure of East German industry. Several enterprising Kombinate directors have revealed plans to diversify their companies away from unprofitable lines of production and into the service sector. Some, like Robotron, the third largest Kombinat, plan to set up TV stations and newspapers using the capital resources of West German partners. Increasingly, West German companies will seek out the most promising companies for co-operation, leaving the Kombinate to close down their unprofitable firms.

Leslie Colitt

Trabant factory: East German car synonomous with mass exodus to the West

KEY STATISTICS

	Bulgaria	Czech	GDR	Hungary	Poland	Romania	TOTAL
Area (sq km)	110.912	127.905	108.333	93.033	304,463	237,500	982,146
Population 1988 m.	9.0	15.5	16.6	10.7	37.9	23.1	112.8
GDP 1988 $bn	38	118	209	26	89	71	533
GDP Per Capita 1988	4,244	7,591	12,608	2,621	1,818	3,072	4725
Balance of payments in convertible currencies: $bn							
Trade Balance	-1.3	-0.1	0.1	0.7	1.0	3.8	4.2
Current Account	-1.5	-0.3	0.6	-0.6	-0.6	3.5	1.1
Convertible Currency Exports and Imports $bn							
Exports 1988	3.2	5.6	10.4	5.9	7.7	7.7	40.7
Imports 1988	4.5	5.9	10.3	5.2	6.7	3.9	36.5
% growth convertible currency exports and imports 1980-88							
Exports	0	13.7	82.5	20.4	6.9	18.5	25.2
Imports	104.5	18.0	39.2	13.0	-17.3	-51.3	3.4
Value of exports and imports in 1988							
Exports $bn	17.22	24.94	32.05	10.00	13.96	12.90	111.02
Imports $bn	16.58	24.26	31.12	9.37	12.16	9.50	103.60
% Growth in total exports 1980-88	65.7	67.0	72.4	16.1	-17.9	13.1	37.2
% Growth in total imports 1980-88	71.4	59.8	53.4	1.9	-36.4	-5.4	18.9
Export and import volumes Annual % change 1988							
Exports	3.6	4.0	1.0	5.2	9.4	9.3	4.9
Imports	0.7	3.0	3.3	-1.9	8.7	4.4	3.0
Export and import values Annual % change 1988							
Exports	8.6	8.5	2.6	4.4	14.3	11.8	7.4
Imports	2.6	4.4	2.7	-5.0	12.1	3.0	3.4
Regional trade structure 1988. % share							
Eastern Europe Exports	18.1	29.9	26.5	17.0	16.2	16.4	22.7
Imports	20.1	32.3	24.8	18.7	17.2	21.3	24.1
Soviet Union Exports	62.8	43.1	35.5	27.6	24.5	23.4	37.9
Imports	53.7	40.4	34.6	25.0	23.4	30.9	36.5
Developed Exports	8.4	16.3	29.9	40.5	43.3	37.9	26.8
Imports	15.5	18.6	33.2	43.6	45.7	11.6	27.4
Developing Exports	9.1	4.7	4.4	8.9	10.2	16.4	7.7
Imports	7.8	3.5	3.5	7.4	7.1	28.0	7.2
Others Exports	3.7	6.1	3.7	6.0	5.8	5.9	4.9
Imports	2.8	5.3	3.9	5.3	6.6	8.2	4.9
Changes in % share of regional trade structure 1980-88							
Eastern Europe Exports	-1.6	2.1	0.3	-4.0	-4.9	-1.3	0.3
Imports	2.0	3.6	2.4	0.5	-2.4	6.2	3.2
Soviet Union Exports	12.9	7.5	2.2	-1.7	-6.7	3.8	4.9
Imports	0	4.3	1.4	-2.7	-9.8	15.3	3.4
Developed Exports	-9.4	-4.5	0.6	6.5	8.9	3.1	-1.7
Imports	-2.2	-5.9	-1.4	4.1	10.7	-19.6	-3.6
Developing Exports	-4.3	-3.9	-1.3	-2.0	0.5	-4.1	-3.1
Imports	3.9	-2.0	-2.0	-2.5	-2.3	-3.0	-3.3
Others Exports	-0.7	-0.1	-1.6	1.2	2.2	-1.6	-0.3
Imports	-0.7	-0.1	-0.4	1.6	3 8	1.1	0.4
Debt							
Gross debt 1988 $bn	7.6	5.1	19.9	17.3	38.9	2.7	91.5
Gross debt / GDP (per cent)	20	4.3	9.5	61.8	56.4	3.8	6.4
Gross total debt/exports (per cent)	44	20.4	62.0	173.0	278.6	20.9	82.4
Net debt $bn	6.6	3.4	10.2	16.1	35 3	1.3	73.0
Debt index 1980=100							
Gross Debt 1982	78	82	93	85	107	102	97
1985	97	73	100	130	123	69	106
1988	211	113	146	190	161	28	142
Net Debt 1982	65	90.9	92.2	90.9	106.0	102.1	97.8
1985	48	69.6	61.2	123.4	119.6	67.7	93.8
1988	227	103	87.9	209.1	150.2	14.0	125.5
Prices and wages 1988							
Consumer prices (per cent)	5.0	1.5	0.4	15.6	60	0.5	
Real wages 1988 (% change)	5.1	2.1	(87) 5.4	-6.5	10 9	(87) 0.6	-
Growth of Industrial, Agricultural Production (% change 87/88)							
Gross industrial product	5.2	2.0	3.7	(87) 3.5	5.4	3.6	3.7
Gross agricultural output	-0.1	2.2	-4.0*	4.5	0.6	2.9	0.9
Grain production (Tonnes m.) 1988	8.0	11.8	10.0	14.7	24.5	32.6	101.6
Steel production (Tonnes m.) 1988	2.8	15.4	(87) 8.2	3.6	(87) 17.1	14.3	-

Source: Economic Commission for Europe (ECE) secretariat Common Data Base, derived from national or Council for Mutual Economic Assistance (Comecon) statistics

ROMANIA

Legacy of inexperience

IF THERE is any one East European country which will experi*ence the most diffi*culty restoring political institutions and stability, it will be Romania.

For here was the country which went through 40 years of totalitarianism not witnessed to the same degree and intensity by its East European neighbours. So deeply entrenched was the system that it prevented the emergence of any credible social forces.

Unlike Poland, there was no independent-minded Catholic Church or workers' movement. There was no Cardinal Stefan Wyzynzski or Lech Walesa. Unlike Czechoslovakia, it had no individuals of moral stature, such as Mr Vaclav Havel. Unlike Hungary, it had no reformers in the ruling communist party. All political life and social structures had been destroyed. Rebuilding those structures will not only take time, it could lead to considerable instability which may only be contained by the army holding the reins of power.

Against such a background, the legacy inherited by the Front for National Salvation, set up on December 22, makes government almost impossible.

Because of the nature of totalitarian rule in Romania, few individuals have any credibility or legitimacy to lead the country out of its dark past. Every individual was touched by a system based on fear and a network of informers in which few could trust each other.

In addition, the Romanian Communist Party had an enormous membership; more than 3.5m people out of a population of 21.5m were in the party. Anybody in the party is now regarded with suspicion by the population since the party is identified with bolstering the Ceausescu system.

This suspicion and lack of trust has made the work of the Front for National Salvation more difficult. Many members of *the Front, not only in Bucharest but in the* other towns, are party members. Although several members have declared that the party is "finished", the population thinks otherwise. It believes that in many cases the Front, by changing one set of communist clothes for revolutionary ones, has retained the same design.

More importantly, the population, desperate with grief and humiliation arising from 40 years of totalitarianism, is anxious to know what kind of political forces the Front represents. So far, the Front has not declared its political leanings even though it intends to stand in the parliamentary elections due to be held later this year.

The longer they prevaricate, the greater the mood of anti-communism already sweeping the country. If the National Peasants Party and the National Liberal party, two of the largest parties in the inter-war period outlawed during the Stalinist regime of Mr Gheorhge Gheorghiu-Dej, Bulgaria's post-war communist party leader, organise themselves in time for the elections due later this year, the eclipse of the RCP will be inevitable.

In the immediate future, the political picture remains complicated largely because Romanians outside the Front believe justice against those who terrorised the population is not seen to be done.

They want the Securitate, the dreaded secret police, to be tried and sentenced. So far, the Front has been more than dilatory on this issue, largely because almost the entire country had been touched by this totalitarian system and are all in some way implicated in tolerating such a regime. As a result, the Front is reluctant to speed up the trials. "Names will be named by those who are put on trial," one Front member commented. "All of us are implicated. All of us are compromised. This is the tragedy of our country."

Against this background, the options facing Romania are few. The Front cannot afford to arbitrarily ban the RCP. If it does so, it effectively bans 3.5 million people, some of whom are experts necessary in rebuilding the economy.

In any case, any political or economic reforms which the Front intend to introduce will be blocked by this immense party apparatus which remains entrenched in the institutes and the ministries, in the factories and in the administration. These forces are already blocking new appointments for fear that they will lose their privileges and power.

In short, the euphoria of the Revolution has come to an end. But the tools with which to build it do not exist.

Under such circumstances, if the Front, divided and bickering, remains unable to assure the population that it can provide credible leaders, then one can expect some form of military rule or state of emergency.

These are regarded as a last resort but ones which could possibly give the country time to stabilise. By guaranteeing stability for a period of time, such an administration could provide the opportunity for the West to pour in technological assistance, food and goods, items which are already been held up by the bureaucracy. Such assistance will be essential over the next year if the country is to rebuild its neglected infrastructure and repair the damaged moral outlook of the country. Otherwise, the country will slip into anarchy, a sad and tragic end to the Christmas Revolution which toppled the Ceausescu regime.

Judy Dempsey

Peter Montagnon analyses East-West trade statistics

Economic reforms are top priority

THE rapid pace of political reform in East Europe has posed a new challenge for corporate strategic planners in the West. Is this market of some 400m consumers poised to become the prosperous growth region of the 1990s or will economic reform fail, leaving investment there wasted and unprofitable compared with money spent in other, more dynamic parts of the world?

So far, developments in East-West trade have provided few clues to the answer. Though volume has grown over the past couple of years after a long period of stagnation, Western industrial country exports to the East bloc, at $50.5bn in 1988, still accounted for less than 2 per cent of total world exports. Put further into perspective, this volume is less than a third of total imports by Japan, which is recognised as one of the most difficult markets in the world for outsiders to penetrate.

Statistics gathered by the United Nations Economic Commission for Europe (ECE) for its latest review of East-West trade suggest, however, that stirrings are afoot which affect the structure and the outlook for trade development. The East bloc market has become more open to imports, particularly of foodstuffs, and its exports to the West are also increasing, partly as a result of economic reform.

ECE divides its review into two parts. The Soviet Union's trade with the West is looked at separately from that of the six satellite countries of Eastern Europe (Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania). Different considerations apply because the Soviet Union is quintessentially an exporter of raw materials and commodities, whereas the East European countries offer a broader range of manufactured goods.

One of the first, and possibly most significant trend changes noted by ECE in last November's report, was an apparent willingness on the part of the Soviet Union to borrow more in Western financial markets to increase its imports. This was in marked contrast to the experience of previous years when it tried to compensate for weak oil prices by cutting imports.

According to the report, the Soviet Union raised $3.7bn through gold sales in 1988 and borrowed $3bn to finance a 9 per cent increase in the volume of its imports from the West. In the first half of 1989 the pace of growth quickened to 11 per cent, with particular emphasis on foodstuffs and industrial consumer goods.

Given the depth of earlier cutbacks, Soviet imports from the West are unlikely to have reached their 1985 level last year. Though the Soviet Union badly needs to modernise its industry, the report also warns that the requirement for Soviet enterprises to be self-financing in hard currency together with the perceived need to reduce inventories of capital goods imports from the West means that Soviet industry is likely to be selective about ordering foreign equipment.

One bright spot is an improvement in the Soviet terms of trade which has resulted from recent increases in the price of petroleum and the other commodities which the Soviet Union exports. After slumping by 14 per cent in 1988, Soviet terms of trade are thought to have improved in 1989 for the first time in six years. This should allow an easier trade position in future, provided the Soviet Union can overcome its oil industry production problems which have depressed supply and forced the pace of export growth to slacken from the 9 per cent in 1988 and the first six months of 1989.

The satellite countries of Eastern Europe, meanwhile, saw a dramatic 13 per cent increase in import volume during the first half of 1989. This followed a period of stagnation in 1988, even though the composition of the region's imports changed to include more food and consumer goods. The sharp increase in 1989 reflects a revival of importing by both East Germany and Hungary. Though the former may reflect an attempt by the authorities to buy political peace, the latter is more substantially the result of increased imports of machinery, equipment and other industrial goods as a follow-on from economic liberalisation.

Poland, too, has seen its imports rise in connection with its economic reforms, but the gratifying aspect of reform in both countries is that it has clearly had an effect on their exports as well. West European markets, which remain the main destination of hard currency exports by East bloc countries, have been enjoying a boom over the last few years, but it is only as East Europe has embraced reform that it has been able to capitalise on this.

Among the changes introduced by a number of countries has been the freedom for individual enterprises to engage in foreign trade in their own right, bypassing to a greater or lesser degree the central planners in their supervising ministries. Enterprises have been increasingly allowed to retain all or part of their foreign exchange earnings in special hard currency accounts, which they can use to buy essential raw materials or components. Finally, in many parts of the East bloc, a more realistic exchange rate policy is being pursued which has made local goods more competitive on international markets.

All this is a long way from implying, however, that the corner has been turned. Painful economic adjustments still lie ahead, and one of the slightly worrying signs about last year's performance was that the growth rate of Eastern exports to the West tailed off in the latter part of the year as political uncertainties increased. Many countries will also have to wrestle with a shortage of foreign exchange.

Poland has the most serious debt problem, but Hungary, too, is seriously extended and Bulgarian indebtedness has been growing. Romania has repaid its foreign debt, but at a severe price, which includes a serious lack of investment that will impede its future growth and impair its long-run export potential.

Most countries in the East bloc have now admitted that a key to recovery thus lies in admitting foreign investment. For Western exporters, investment which creates a presence inside the markets of Eastern Europe almost certainly is also a prerequisite for expanding sales into the region. Low wage rates, at scarcely more than $2 an hour even in relatively prosperous Czechoslovakia, are an attraction which could make these countries lucrative manufacturing centres.

Despite all the talk of a foreign investment boom and the occasional high profile transaction, such as General Electric's purchase of Tungsram and General Motors' proposed joint venture with Raba to build engines and assemble cars in Hungary, the overall flow of such investment remains small. Learning to live in the world market on its own terms means the East bloc will have to learn to compete on a world basis. South-east Asia, with which its technological level is most directly comparable, has a head start. Eastern Europe is unlikely to catch up until its economic reform is complete.

EAST EUROPE IN FERMENT 4

Edward Mortimer stretches his imagination 30 years hence

When the lion lies down with the lamb in 2020

SINCE I make no claim to supernatural powers, this article and the accompanying map are purely an exercise of the imagination. It would be very surprising, and no doubt too good to be true, if Europe in 2020 turned out exactly as suggested here.

But this is a time of hope, and I have started from optimistic assumptions. The moral I draw from recent events is that technical and educational progress are gradually eroding the usefulness of war and physical coercion as instruments of policy, at any rate in the industrialised part of the world to which Europe belongs. Ideas, images and money move around the world at such speed that frontiers are of diminished significance.

Even the movement of people and goods is less easy to control than it used to be. People are more and more liable to leave a country where they are not happy. Unelected governments are less able than they were to take the consent of the governed for granted.

If frontiers are of diminished significance, there is less reason to change them. Certainly it should be worth no-one's while in future to embark on wars of conquest. But existing frontiers are still, in many cases, the legacy of force rather than free choice, and there may be places where the desire for change among national groups trapped by history on the "wrong" side of a frontier, or as part of a larger entity with which they cannot identify, is now going to prove stronger than the conservatism of the state to which they belong. If the use of force is ruled out it is hard to see how subject peoples can be kept subject. The greater probability is that frontiers will change.

One frontier which virtually everyone now expects to change, or rather to disappear, is the one that separates the two German states. It is increasingly clear that East Germany, as a separate state, lacks economic and ideological appeal for its own citizens. For West Germany, the balance of economic advantage is more debatable, but the ideological commitment to a single German nation will surely carry the day.

By contrast, the frontier between Germany and Poland, although still in need of legal consecration, appears virtually certain to remain as it is. The Poles are unanimous in wanting that, and the remaining German community in Poland is not large or geographically concentrated enough to form a secessionist movement. The same can probably be said, though less confidently, about the Hungarian minority in Romania. The frontier between those two countries *is* legally established, since it goes back to the treaties signed after the first world war.

As a general rule, the brutally enforced movements of population in central and eastern Europe during and after the Second World War have simplified frontier problems, leaving behind a set of much more homogeneous nation-states than were there before. Remaining minority problems seem likely to be settled at best by the granting of full cultural and political rights, or at worst by further migrations, rather than by changes of frontier.

The two most likely exceptions, apart from the very special case of East Germany, are Yugoslavia and the Soviet Union. These are both multinational states now subject to very strong centrifugal tensions. At very least the Soviet Union will have to disgorge Stalin's ill-gotten gains of 1940, allowing the three Baltic states to regain their independence and the Moldavians to rejoin their compatriots in a free Romania.

The gains of 1939 at Poland's expense may prove more durable, since there are very few Poles left in western Ukraine and Byelorussia. What does persist in western Ukraine is a much more marked Ukrainian national identity, reflected in the use of the language and in allegiance to the Uniate (i.e. Catholic) church, whereas eastern Ukraine is much more thoroughly Russified. It therefore seems quite imaginable that the present Ukrainian republic will split into two, even if both halves remain linked to Russia.

But will the Soviet Union survive as such at all? That seems increasingly problematic. Deprived of the argument of force, communism can no more hold the former Russian empire together by sheer ideological attraction than it can keep the German nation apart. Russia itself seems every day less Soviet and more Russian. The chances are, therefore, that well before 2020 the non-Russian republics will de-Sovietise themselves.

Russia alone, stretching right across to the Pacific, would still be a world power, and may perhaps be able to retain its Slav sister-nations of Ukraine and Byelorussia within a political union. But the non-Slav peoples of Central Asia and Transcaucasia seem more likely to go their own way. Those of Moslem faith and Turkic culture may well find they have more in common with Turkey (and with the Turkish-speaking regions of northern Iran) than with Russia. Armenians and Georgians might band together to protect themselves, and perhaps forge a new alliance with Russia once their independence was recognised.

Similarly, in Yugoslavia the Serbs may succeed in imparting their revived nationalism to compatriots in Montenegro and Voivodina, but not, in the long run, in imposing it on the Moslem Albanians of Kosovo. The latter will one day prefer to join a free Albania, while the Croats and Slovenes, alarmed by Serbian pretentions to dominance, are already rediscovering their links with other peoples of the former Habsburg empire.

I also assume that Europe's tendency to form subregional but supranational groupings will continue, and that Western Europe will retain its sense of a common identity and destiny – the fear of Soviet domination being replaced by the need to provide a stable core round which the new Europe can be organized. I have called this core, perhaps tendentiously, "the United States of Western Europe", and assumed that it must include, at a minimum, the new united Germany plus France, Italy and the Benelux countries.

The peripheral countries of the present EC will be more hesitant, but I am guessing that, in the last resort, neither Spain nor Britain will be able to accept the idea of a new phase of European construction going ahead without them, and that their adhesion will entail that of the countries geographically "behind" them – Portugal and Ireland.

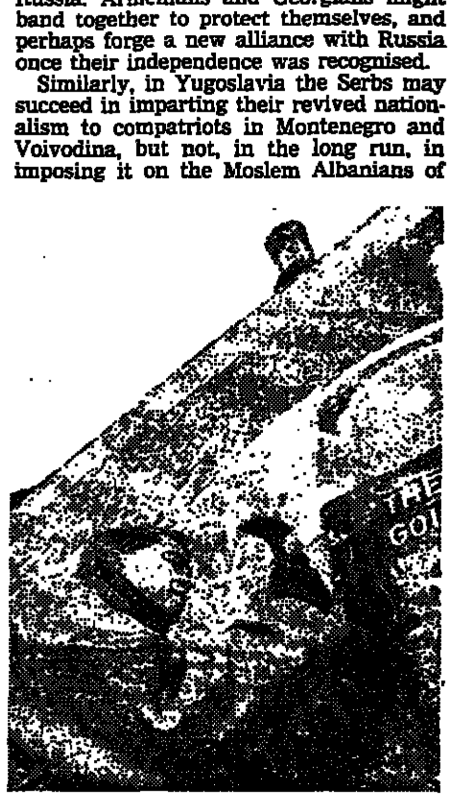
By contrast, I suspect that Denmark will in the end find its Scandinavian links more important, and less irksome; while Greece will rediscover a subregional role as leader of the de-Ottomanised, and now decommunised, Balkans. I also suggest that closer European integration may enable Scots, Catalans, Basques, Flemings and Walloons to proclaim formal independence without sacrificing their practical links with the nations they are now yoked to, and that England and Wales, though less likely to separate from each other, will seize the opportunity to rid themselves of responsibility for Northern Ireland. (But common membership of the USWE is as far as Irish unity is likely to get.)

Brussels, federal capital of the USWE, will be an autonomous and multilingual city.

Austria, though tempted by membership of the USWE, will be sucked back into its Habsburg role as the centre of Central Europe – a predominantly Catholic grouping stretching from Poland in the north to Croatia-Slovenia in the south. Romania, though Orthodox by religion, will also join this grouping to emphasize its Latin culture and its desire to avoid ethnic conflict with Hungary; and Switzerland, though feeling itself part of Western Europe will probably also prefer the looser Central European structure – especially as Central Europe, like the other subregional groupings referred to, will be linked to the USWE both in the "European Economic Space" and in the Council of Europe, guaranteeing free access to all markets and a minimum standard of human rights.

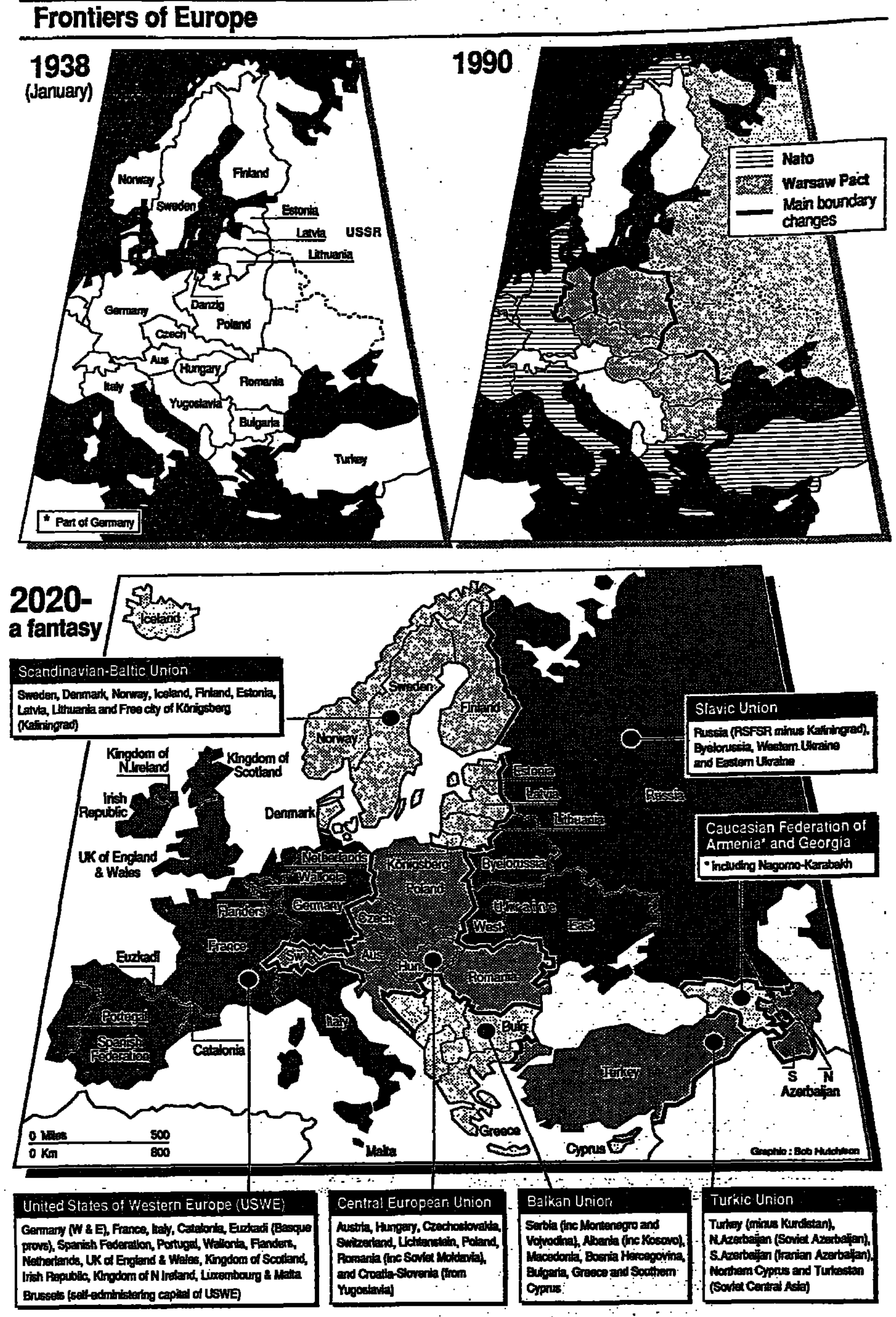
All European states, plus the US and Canada (and perhaps Japan), will belong to the European Security Organisation, formed through the Helsinki process as a merger of Nato and the Warsaw Pact. This organisation will determine the size of the armed forces each member is authorised (and required) to maintain, and will be able to call on any or all of them to deal with any internal or external threat to the peace.

And the lion, of course, will lie down with the lamb.



Border lines likely to be less important

Frontiers of Europe



Fear of gate-crashers may spoil the EC feast, says **David Buchan**

A spine-tingling mixture of excitement and trepidation

THE all-change in East Europe's political order has produced a spine-tingling mixture of excitement and trepidation in the European Community. The overturning of the old Cold War certainties that military confrontation was somehow indefinite and that the Community's eastern limit ended at the inner-German border has provoked mingled hopes and fears.

The fear, particularly by federalists, a breed especially thick on the ground in the European Commission and in the capitals of such countries as France, Italy and Belgium, is that events in Eastern Europe will distract the Community into becoming "wider rather than deeper". Just as the Twelve were about to sit down to a rich diet of economic and monetary union, gate-crashers from the East start knocking on the door, threatening to gain admission to the club and to spoil the Community feast.

But even the federalists would admit that pain is very near to pleasure in their dilemma. The Community feel enormously flattered in the way Eastern Europe – even the Soviet Union with its 10-year trade and economic co-operation with the EC signed in December 1989 – has turned towards the Twelve in Western Europe. Indeed, it is a happy coincidence that the Community re-launched itself, through its 1992 single market programme, in time to provide Eastern Europe with a model alternative to Comecon-style central planning.

Nowhere is excitement and trepidation so strongly mixed in the Community than in its Brussels-based executive. It won, at the July 1989 Western summit, the accolade of co-ordinating all aid (even American) to Poland and Hungary. Brand new to the role of international co-ordinator, however, it has since been scrambling to acquire expertise on and in Eastern Europe and to re-think its traditional trade diplomacy.

As 1989 gave way to 1990, it was beginning to consider new forms of preferential trade and economic association agreements that might put East European countries on a free-trading par with members of the European Free Trade Association (Efta) and even, one day, lead to full EC membership. Floating around in the geo-political stratosphere, too, is President Mitterrand's notion of a confederation. Endorsed by Mr Jacques Delors, the Commission president, such a structure would somehow tie Eastern and Western Europe together, perhaps in the way German states were linked in the 19th Century.

For the moment, however, the nuts and bolts of the relationship are:

- Standard trade and economic co-operation agreements with all seven European members of Comecon. Poland, Hungary and the Soviet Union already have them; Bulgaria should be able to conclude its negotiations for one soon; Romania and Czechoslovakia want their existing agreements with Brussels widened, which should not take too long; while East Germany, the backmarker with no negotiations so far, must have an agreement by mid-1990, the EC Council of Ministers has told its Commission negotiators.
- Import quota removal. If the trade accords with Poland, Hungary and the Soviet Union set the pattern for deals with the other four – and no discrimination looks likely at this stage – all Comecon countries will see a virtual end by 1994-95 to EC quotas specifically aimed at their imports. But Poland and Hungary have been put a further jump ahead, by being exempted (for 1990 and maybe longer) from certain quotas applying to a wide range of countries (including many Western ones) selling into the EC market.
- Tariff reduction giving imports from Poland and Hungary the same status as developing countries. Romania had this privilege, though it nearly lost it in the dying days of the Ceausescu regime.
- Financial aid. Poland is getting \$1bn in grants and soft loans to stabilise its currency, and Hungary a Ecu1bn medium-term loan to restructure its economy.
- Food aid. Poland has had Ecu130m in EC food aid last year, and more is being considered. The Community is also mounting, in co-ordination with other Western countries, a larger aid programme for infrastructure, investment promotion, and training, in Poland and Hungary. Some Ecu300m is being written into the EC's 1990 budget for this purpose.

What next? Where next? The answers to these questions are getting harder. True, the rich Western world, in an outpouring of relief at the ending of the cold war, still seems ready to shell out for Eastern Europe; even Japan, whose prime minister paid a mid-January visit to Warsaw and Budapest, is chipping in handsomely, in the hope that the contagion of perestroika will spread to its communist neighbours in Asia. True, the Western countries, with Japan among them, are well-placed to set to work in Eastern Europe the resources of international organisations like such as the International Monetary Fund and World Bank which they control.

But Third World members of the GATT would increase their grumbling if the EC were to extend quota exemption beyond Poland and Hungary. Extending developing country tariff status to countries such as Czechoslovakia and East Germany with a nominal GNP per head above that of several EC states would be one concession too many for such EC states. Even the stronger EC states will think twice about giving a competitive sector from an industrialised East European country – such as the Czech glass industry – free rein. Poland is already causing some concern with heavy sales of cement in the EC.

None of the latest group of democratised countries – Czechoslovakia, East Germany, Bulgaria and certainly not Romania – seems to have quite the parlous debt situation that warranted balance of payments loans to Poland and Hungary. The Commission has estimated that if it were to spend as much in development aid per East European as it does per inhabitant of the Community's backward regions, it would have to double its own economic assistance programme, now rising to Ecu14bn a year. Such a level would probably make EC member states, even West Germany, wince.

But the hardest question for the EC is how is it going to assess and enforce criteria for its help. In November 1989 EC leaders set democracy as their political condition, and left economic conditionality to the IMF. Application of this to Poland and Hungary was easy. Poland has achieved a certain post-communist stability, Hungary is on the way to doing so. Both countries happen to be members of the IMF, and in need of the sort of balance of payments help the Fund provides. The other East Europeans are either not members of the IMF (Bulgaria, Czechoslovakia, East Germany) or not in need of Fund loans for the moment (Romania). More important, except perhaps for Czechoslovakia, the nature of their governments is likely to be very transitory.

However, Commission officials say they will not negotiate, let alone sign, more advanced agreements with anything other than a democratically-elected government. If and when most East European governments carry out free elections (promised for the most part by mid-year), Brussels will have to start putting flesh on its skeleton ideas for free trade and association agreements. For one country, there is a fast track. East Germany, as far as Mr Delors is concerned, could join overnight; it need only vote to coalesce with Western Germany to be in.

Quentin Peel looks at the Soviet Union's viewpoint

Political upheaval foreseen

SOME might call it making the best of a bad job. But few can deny that the apparent equanimity of President Mikhail Gorbachev and his colleagues in the face of the tumultuous changes sweeping East Europe has been extraordinary to behold.

Indeed, it is the one factor, more than all the previous protestations of Soviet reform and "new thinking", which may finally have convinced the most steely-hearted Cold Warriors in the West that Gorbachev's changes are for real.

"In some socialist countries, the situation has been unconventional," the Soviet leader told his shell-shocked Communist Party central committee in December, in a remarkable understatement. "Fraternal parties are no longer ruling in Poland and Hungary. Our friends in the German Democratic Republic and Czechoslovakia have largely lost their positions. New political forces have emerged on the arena."

Not only that. Mr Gorbachev and his closest advisers have continued to claim a share of the credit for the upheaval, and deny any deep concern.

"Worried is not the right word. It was foreseen, but to tell the truth, not in quite such concrete terms," Mr Ivan Frolov, editor of Pravda and one of Mr Gorbachev's inner cabinet. "You know that it was actually the result of perestroika in our own country.

"Gorbachev himself understood very clearly, that if they did not do what we are doing in our country, then they would be finished. Some of this upheaval happened precisely because their leadership suppressed the (reform) movement."

Those a little further from the centre of power are prepared to admit their ignorance. "The vision is somewhat blurred now because of the magnitude of change," Professor Oleg Bykov, deputy director of the Institute of World Economy and International Relations (Imemo), says disarmingly. "I don't think any of us (in the Soviet Union) yet realise the full dimensions of the sweeping changes."

It would be wrong to exaggerate the enthusiasm for the process. Even an outright reformer, like Professor Oleg Bogomolov, director of the Institute of Economics of the World Socialist System, says "exciting" is the wrong word to describe the process of East European change. "These are very hard times for us to live through," he says. Indeed, many recognise that the process of change has left the Soviet Union itself, only months ago in the front line, now looking like an unreconstructed monolith. The Communist Party is still clinging on to its "leading role," its five-year plans are still being drawn up according to the centrally-ordained model of the State Planning Committee, and the economy is failing dismally to respond to the half-hearted reform process.

Yet all the East European states share with the Soviet Union essentially the same reform problem. "Everyone knows we have got to get to a market, but nobody knows how to get there," says Dr Rair Simonyan, head of department at Imemo. To the extent that countries like Poland, Hungary, East Germany and Czechoslovakia can show how it should, or should not be done, it will help Moscow's beleaguered planners.

More than that, the demise of the conservative regimes in East Germany and Czechoslovakia is a positive boon to Mr Gorbachev in his ideological battles at home with Communist conservatives. They can no longer point to any serious examples of traditionally-planned Communist states where the system is working.

Soviet economists are convinced that, whatever the new liberal marketeers of East Europe may wish, they cannot unscramble the socialist omelette of Comecon very quickly.

It is not so much their dependence on Soviet energy exports: at world market prices, they can buy their oil anywhere. Rather, it is the shoddy standard of their own industrial exports, perfectly acceptable in the USSR (whose own products are even worse), but largely unsaleable on Western markets.

"Prices for our oil are roughly in accordance with tendencies on the world market," says Dr Alexander Nekipelov, deputy director of the Bogomolov Institute. "But prices for processed goods are as a rule higher than world market prices, mainly because their quality is below Western standards."

If Comecon trade were denominated in dollars, at world market prices, then he estimates the USSR would have a surplus of between \$6bn and \$10bn in trade with its partners.

"But all these calculations are quite arbitrary. If you change the structure of our relations, the inter-governmental obligations, and put the emphasis on the micro-level, the structure will change. Soviet enterprises will not buy what the Soviet government did, and not at the prices the Soviet government paid. If they have to pay in hard currency, they will buy from the West.

"If you dismantle the government-to-government structure, then forget about integration, because the process of disintegration will take place very quickly, with very heavy consequences, mainly for our partners. A large part of their economies has been oriented exclusively towards the Soviet market."

As a result, Dr Nekipelov believes that the disintegration process of Comecon cannot be allowed to go too fast. he also strongly disagrees with the present official policy – just agreed in Sofia – of switching to hard currency payments at world market prices.

Many Soviet planners believe that Comecon will therefore hold together for some time, thanks not least to the very deficiencies in its structure: its central planning, reliance on government to government contracts, and overwhelming focus on the undemanding, if all-consuming Soviet market.

On the political front, the situation may be much more volatile.

The fear in Moscow is "of some kind of conversion, some kind of fusion, which could sweep the East and West of Europe," says Professor Bykov.

"It is a fear that if the two Germanys immediately merge, the rest of Eastern Europe will be engulfed or devoured by the other side."

It is a fear which undoubtedly has echoes in the Soviet military establishment, and among Communist Party conservatives.

Most sensitive of all in Soviet eyes is the question of German reunification. Yet even on that, outright Soviet rejection of the prospect has already been subtly modified.

In a Cold War context, Professor Bykov says, reunification was indeed too ghastly to contemplate. Now, however, "many things can be seen in a quite different light against the backdrop of (East-West) co-operation."

Mr Gorbachev was undoubtedly reassured to discover a real ally on the question in President Francois Mitterrand of France, prepared to back his thesis that any debate on the Germanys must be conducted in the framework of the all-European Helsinki process: in effect giving all the nations of Europe a say in how and when such a process might take place.

So German reunification is not flatly rejected. But it will have to be managed. Hence another switch in Soviet strategy. No longer is Moscow talking about the ultimate dismantling of Nato and the Warsaw Pact. Instead, it stressed the "demilitarisation" of the military pacts, and their switch to political ends.

Given the speed of change, that may seem from the West like an unrealistic perception, but it is providing some small reassurance in Moscow right now: the existence of substantial, relatively rigid military structures on both sides means no one can rush.

What Moscow is looking for is the maintenance of present institutions, economic, military and political, long enough for the reform process to become genuinely irreversible back in the USSR. Changes in East Europe do not have to be even socialist, provided they are not positively incompatible with socialism, Professor Bykov says.

All this could change if Mr Gorbachev's reforms at home come unstuck.

Trade board sets export targets for early 1990s

By Anthony McDermott

THE BRITISH Overseas Trade Board (BOTB) yesterday published a new exports promotion plan – the Forward Plan – *pinpointing priority geographical areas and product* sectors for 1990-91 and the following two years, and refining the use of existing resources.

Launching the plan, Sir James Cleminson, the BOTB Chairman, said: "This is the first time we have published our priorities for export promotion in this way. We have done this in the belief that it will make the best use of our resources and enable us to provide the greatest help to the *UK's exporters.*"

The priority export areas are Western Europe, which took 59.1 per cent of UK non-oil visible exports in 1988 (calculated at £102.5bn); North America and the Pacific Rim countries, including the dynamic markets of Japan, South Korea, Taiwan and Hong Kong; and Australia and New Zealand offering "good prospects".

The Pacific Rim is a new focus of attention and one which Sir James identified as a market of long-term promise. Among the priorities, it displaces the Middle East, where the BOTB did "not see at present" a case for increasing the use of resources.

At the same time, the plan notes there will a reduction in resources for the countries of Tropical Africa and Latin America. *Sir James said* these would be released to concentrate on Europe.

He acknowledged that in drawing up the Forward Plan they had been overtaken by events in Eastern Europe. But the plan, he said, was "not set in concrete" and under constant review.

In approaching this market, he advocated caution – particularly for the smaller companies – until economic and political developments had set*tled*.

It would take time for these countries to break free of the state-run economic mentality and for them to accumulate hard currency.

The BOTB directs the Government's export promotion efforts and works through the Department of Trade and Industry and the Foreign Office (FCO). In 1998-90, the budget was approximately £122m, net of receipts from charges to customers using BOTB services.

Of this figure, DTI expenditure on services amounted to £31.3m, DTI staffing £18m and FCO staffing costs were put at £72.5m.

Airline seeks extra Heathrow capacity

By Paul Abrahams

BRITISH Midland, the UK's second largest airline, yesterday called for the capacity of Heathrow airport to be increased so it can compete with other European hubs.

London Heathrow risks reaching its full capacity next year, warned Mr Michael Bishop, chairman of British Midland. If measures were not taken immediately, the UK would lose business to airports at Paris, Brussels, Amsterdam and Frankfurt.

Heathrow is unable to handle more than 350,000 aircraft movements a year, said Mr Bishop.

At present the airport is only 7,000 movements a year under its full capacity. He compared this to plans at Parisian airports to increase passenger capacity to 60m by 1995.

Shortages of take-off and landing slots also affect competition, said Mr Bishop. He said there was little point providing licences for airlines to fly routes when there were no take-off slots available. British Midland has seven licences for European cities which remain unused because of capacity shortages.

Such competition was vital, said Mr Bishop, if European consumers were to benefit from a liberalised market. He pointed out that since 1986, when British Midland first operated routes to Amsterdam, fares had fallen by 20 per cent while traffic volumes had increased by 30 per cent.

The options include:

- Allowing aircraft to land and take-off from the same runway. This measure, which is called mixed mode operation and is common in the US, would increase capacity by 50,000 air movements a year. At present, one runway handles landings and the other is dedicated to take-offs.
- Reducing the minimum separation between aircraft landing at airports from three miles to 2.5 miles, providing 5,000 more slots a year.
- Permitting small aircraft to exit runways more quickly after landing. At the moment they are obliged to use the same exits as larger aircraft.
- Extending the working day by half an hour in the morning and half an hour in the afternoon.
- Improving the efficiency of airlines in turning around aircraft.

Mr Bishop said that all of the procedures proposed were already in use outside the UK and would not affect safety.

Takeover Panel rules on conditional acceptances

By Nikki Tait

THE TAKEOVER Panel, the UK watchdog on bid activity, said yesterday it had decided against allowing bidders to solicit conditional acceptances during takeover battles on the grounds that existing arrangements work satisfactorily and "variations should not be authorised which might be capable of being exploited in unpredictable ways in the future".

The issue arose in the unsuccessful £167m hostile bid by Y. J. Lovell for Higgs & Hill. In the closing stages of the battle and at the request of a Higgs & Hill shareholder, Lazard Brothers, advising Lovell, devised a conditional acceptance scheme.

The merchant bank would hold completed forms of acceptance from certain shareholders. However, it would only add them in to the overall tally if the offer – helped by these acceptances – was going to succeed.

The benefit to shareholders participating in this novel arrangement has never been entirely clear, but it has been suggested that their "disloyalty" to a successful defending camp would, at least, not come to light.

The Lazard scheme was initially approved by the Takeover Panel's executive. However, after an appeal to the full Panel, the decision was reversed. The outcome of the bid was not affected by the ruling. The Panel said the acceptance conditions in the takeover code worked satisfactorily in the interests of all parties.

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IN BRIEF

BSB to put £300m into satellite TV advertising

FIERCE competition between satellite broadcasters in the UK was heralded yesterday when British Satellite Broad*casting, the satellite television* consortium, announced plans to spend £300m on advertising, marketing and promotion.

The plans will lead to a battle between BSB and Mr Rupert Murdoch's Sky Television, which has been broadcasting from the Astra satellite for nearly a year.

Royal Ballet offer

Royal Opera House managers revised a pay offer to dancers of the Royal Ballet in renewed talks. *The company has offered* a 15 per cent pay rise tied to some conditions. The talks followed suggestions that dancers from the Kirov Ballet in Leningrad might be brought in to dance in a new ballet.

Spanish plan £1m plant

Ficosa International, Spanish car components manufacturer, is to build a £1.2m factory employing up to 100 people on the Branston Business Park in Burton upon Trent, Staffordshire – less than four miles from the assembly plant being built by Toyota, Japanese car group.

Franco-Welsh venture

Welsh Water, one of the 10 recently-privatised regional water companies, has set up a jointly-owned waste collection and disposal venture with SAUR (UK), subsidiary of the French water services and municipal contractor. An agreement has been signed in Paris.

N Sea gas deal likely

Gas from the Bruce field in the North Sea may be used in a power station planned in Northamptonshire by the East Midlands Electricity Board. The Board is understood to be negotiating a 15-20 year contract with British Petroleum, operator of the Bruce field, due to come on stream in 1993.

Jobs change likely

A model statute which gives universities the machinery to abolish academic tenure for lecturers – popularly known as jobs for life – was put out for local modification by the University Commissioners. The statute for the first time includes redundancy as a "good cause" for dismissal.

Broadcasting sell-off

Privatisation of the Independent Broadcasting Authority's transmitter system is likely to go ahead next year and could also include the research and development operations of the Authority.

Mancunian tax at £733

The combined workings of the Government's new community charge and business rates systems were blamed for Manchester electors facing a £733 per head poll tax in the 1990-91 financial year – more than double the predicted national average of £278.

Independent writ

The Independent on Sunday newspaper, due to be launched this Sunday, has already received a writ filed by James Gatward, chief executive of TVS Entertainment, because of a profile of the group and the problems of its acquisition of MTM, the US entertainments group, carried in prelaunch issues of the paper.

Bristol docks plan

A multi-million pound scheme *to develop Bristol's docklands* was unveiled in the city with a 2,500-seater concert hall at its core. The project will cover 80 acres of land and water.

Director held

James Lasessel, 39, company director charged with stealing £2.6m from a Saudi princess, has been remanded in custody. Lasessel was accused of stealing the equity of premises in Kensington, west London.

Government embarrassed by latest failure to prosecute alleged misuse of information

Campaign against insider dealing suffers setback

By Raymond Hughes

THE GOVERNMENT has suffered its most embarrassing setback to date in its prosecution of alleged insider dealers.

The Crown Prosecution Service yesterday offered no evidence in its case against Mrs Sara Coren, a former secretary in the mergers division of the Office of Fair Trading (OFT), and her brother, Mr Jonathan Greenwood, former director of Greenwood International Securities, a City licensed securities dealer closed down by the Department of Trade and Industry in 1987.

This follows a series of failures in insider dealing prosecutions which have prompted widespread concern in City and political circles.

Of the seven cases that have come before crown courts in the last four months, only two have resulted in convictions – and in one of those the defendant pleaded guilty.

In two of the remaining five the juries were directed by the judges to bring in not guilty verdicts, in one the defendants were acquitted, and two were abandonned.

The latest failure is the most serious to date, since it concerned an alleged leak from the OFT and followed what is thought to have been the longest and most detailed inspection yet carried out under the Financial Services Act.

It was also the first prosecution under section 2 of the Company Securities (Insider Dealing) Act 1985, which relates to unpublished price-sensitive information obtained from a Crown employee.

Unusually in an insider dealing case, it was conducted by the CPS rather than the Department of Trade and Industry, due to the department's interest in OFT affairs.

Failures in insider dealing cases have raised doubts both about the wording of the 1985 Act, which made insider dealing a crime, and about the way cases have been handled.

Investigators, however, who have been involved in insider dealing cases remain sceptical about the possibility of ever increasing the success rate in prosecutions.

One said yesterday: "You can throw more resources at the problem, and you can tidy up the Act, but it won't make a lot of difference. It is probably the most difficult crime to investigate and bring to court... If someone says they thought an announcement had been made before they dealt, how do you prove otherwise?"

Mr Greenwood, now a £135-a-week mini cab driver, and Mrs Coren had denied the 12 charges brought against them under the 1985 Company Securities (Insider Dealing) Act.

At Southwark Crown Court, south London, Judge Anwyl-Davies yesterday entered not guilty verdicts against them.

Mr Greenwood was alleged to have bought and sold shares on the basis of information given to him by his sister about OFT recommendations on references to the Monopolies and Mergers Commission of six takeovers.

The prosecution was the first under section 2 of the 1985 Act which relates to unpublished price-sensitive information obtained from a Crown employee.

Its abandonment resulted from a claim by the prosecution, backed by a certificate from Sir Gordon Borrie, the Director General of Fair Trading, of public interest immunity – formerly known as Crown privilege – for OFT documents relating to the takeovers.

Essentially the claim was that it would not be in the public interest for material in the documents to be disclosed in the trial.

The documents included material obtained from the companies concerned in the takeovers, records of discussions within the OFT, the reasoning in support of recommendations, and the recommendations themselves.

Mr Greenwood was originally charged in March 1988, and his sister the following month. In March last year they were sent for trial at the crown court. He and his sister denied six charges relating to decisions by the OFT in 1985 and 1986 in connection with takeover bids.

The matter was complicated by the fact that section 133 of the Fair Trading Act makes it a criminal offence to disclose any such information supplied by companies without their consent.

The CPS was not confident of obtaining such consent from all the companies involved in the six takeovers *(although in the event all did consent).*

The dilemma for the CPS was that Mr Greenwood denied having dealt in the shares on the strength of price-sensitive information given to him by his sister. He said he bought and sold the shares using publicly available information.

It was vital for the prosecution to be in a position to demonstrate to the jury that Mrs Coren had known of the recommendations and to show a correlation between the dates of the recommendations and the dates of Mr Greenwood's dealings.

The CPS's solution was to edit the documents on which immunity was claimed leaving little more than the dates of recommendations and the recommendations themselves.

The defence objected strongly to the suggestion that the jury in a criminal trial should be shown only edited versions of material relevant to the very issues it would have to try.

Judge Anwyl-Davies said the prosecution could not use the documents.

Government to reveal plans for Hong Kong constitution

By Michael Cassell, Political Correspondent

BRITAIN will make known its detailed plans for Hong Kong's constitution "in weeks rather than months", according to government sources in London yesterday.

Confirmation that Mr Douglas Hurd, the Foreign Secretary, will *shortly make a Com*mons statement on the issue followed lengthy and detailed talks yesterday at Downing Street, the prime minister's London residence, between Mrs Thatcher and senior Hong Kong legislators over proposals for democratising the colony before China regains sovereignty in 1997.

The prime minister spent 75 minutes with Dame Lydia Dunn and Mr Allan Lee, who urged Britain to press ahead *with its plans for constitu*tional reform, irrespective of any agreement from China.

Mrs Thatcher, however, offered no pledges but said she would very carefully consider what she had been told and that no final decisions had yet been taken.

Hong Kong leaders are *pressing for 20 directly-elected* members by next year in a legislature of 60 members, with half the total complement being directly elected by 1995.

Last weekend, the Peking-dominated drafters of the Basic Law, which will form the colony's constitution after 1997, decided that only 18 people should be directly elected by that date and that their powers would be curtailed by a two-tier voting system giving blocking powers to indi*rectly-elected members.*

The UK's proposals, which are considered to be in line with those of opinion in the colony, is believed to start with at least 20 seats in 1991, rising to 40 per cent in 1995 and ultimately to 50 per cent.

After the meeting, Dame Lydia said "We explained to the Prime Minister the need for democracy in Hong Kong.

"We urged that the British administration should respond to the wishes and aspirations of the people of Hong Kong".

She added:"The Prime Minister is seriously considering the proposals, but has not yet made up her mind.

"Indications at the weekend that China will severely restrict Hong Kong's democratic development had been *greeted in the colony with* "universal dismay", she added.

Call for specialist unit to look into EC cross-border mergers

By David Churchill

A CALL for a specialist mergers unit to be set up to investigate cross-border mergers within the European Community was made yesterday by Mr Sydney Lipworth, chairman of the Monopolies and Mergers Commission.

Mr Lipworth, speaking on the publication of the commission's annual review, said that existing plans to give powers of investigation to the European Commission might prove unworkable.

"My main reservations are whether the EC will have the *resources and the institutional* experience of the types of issue that exist in a hostile takeover to do the job speedily as well as thoroughly and fairly," he said.

"There may be merit in a specialist unit being set up, within the aegis of the EC, to deal with mergers, as the timescale and very often the intensity of these cases, as well as their effects, do warrant special treatment."

Mr Lipworth said that it was to prevent the EC being swamped with merger investigations that he favoured a high threshold for qualifying mergers. A threshold of Ecu10bn (£7.2bn) had previously been suggested by some European Governments including the UK. "This would avoid the EC taking on too many cases too quickly, *while building up* their resources," he added.

Last month, however, the EC agreed in principle to a new directive to give it powers to investigate cross-border mergers involving a combined turnover of only Ecu5bn (£3.6bn).

Beneath this threshold, mergers will be handled by member states except where they have asked the EC to act on their behalf.

Under the EC directive, which takes effect in October this year, between 40 to 50 mergers are likely to be dealt with at the EC level.

Mr Lipworth also revealed that he had suggested to the EC that it should consider using the services of investigation bodies such as the MMC within member states "to carry out part of the investigation on its behalf so as to make more efficient use of the resources available."

MMC Review 1989, available free from MMC, New Court, 48, Carey Street, London, WC2A 2JT.

N-levy set to fall between 9-10%

By David Thomas and Maurice Samuleson

THE nuclear levy on electricity consumers which will be introduced as part of the Government's programme for privatising the electricity supply industry now looks set to be in the 9-10 per cent range.

A levy on this scale is expected to result in a transfer of about £500m to £600m from the electricity user to the nuclear industry.

A levy of 9-10 per cent would be less than the worst fears of the area distribution companies, which will have to pass on the levy to electricity consumers, but it could still give large industrial users an incentive to avoid the levy by generating their own electricity supplies.

The levy is designed to subsidise the nuclear power industry by bridging the gap between the costs of generating electricity from nuclear and fossil-fuel – such as coal – power stations.

The levy, known technically as the "non-fossil fuel levy," will be borne by electricity consumers, though it will not be identified separately in their bills.

The authorities have not yet announced the size of the nuclear levy, but agreement appears to be close on a compromise position between the Treasury, which was pushing for a levy of about 12 per cent, and the area boards and the Department of Energy, which favoured 8 per cent.

Managers told they need international approach to business

By Lisa Wood, Labour Staff

SPEAKERS from multinational companies discussed strategies for making managers more international at a Financial Times conference on European employment patterns.

Professor Paul Evans, who specialises in organisational behaviour at Insead, the European business school at Fontainbleu, France, set the tone of the debate when he said the challenge was not merely to make managers more European but more international. It was necessary, he said,to build appropriate cohesion among diverse European cultures which must work together.

This cohesion could be built in a number of ways – progressing from simple face-to-face contacts and company jamborees to mobility among senior managers and the creation of a corporate culture.

FT CONFERENCE

CREATING A EURO-WORKFORCE IN THE 90s

Mr John Stewart, director of Human Resources at Ford of Europe said that internationalism had been at the centre of Ford's thinking for over 75 years. The company had established a Ford of Europe structure in 1967 which had resulted in it becoming the most "European" of car manufacturers.

The company's organisational structure had had a significant effect on the management process and style, said Mr Stewart. For example, he said, the executive who was responsible for co-ordinating Ford's engine and transmission systems in its European research and development locations was also director of engineering for Ford in Germany.

In addition there was a system of assigning personnel to work in foreign locations. A Belgian, for example, ran the Dagenham body and assembly plant in the UK with a British, Belgian and Spanish management team. "I think it is a sign of our maturing Europeanisation that today our employees, our dealers and our customers do not find it at all unusual or uncomfortable to deal with a foreigner in their own backyards," he said.

Mr Tim Liardet, head of management resourcing and development at Shell International, spoke of the benefits of an international management development system. Sending people on a foreign postings tested them, he said, by throwing them in at the deep end.

Problems associated with international staff transfer included personal ones such as working partners who were unwilling to move, Mr Liardet said: "This is the most serious and intractable problem and there are no easy solutions."

Mr John De Leeuw, managing director of the corporate staff bureau at Philips International, said his company actively assisted partners of staff going abroad to get jobs. International experience was one of the qualities Philips wanted in its senior managers, he said. Other qualities included being a "fighter", a good communicator, and an ability to cope with change.

Mr Olle Rañang, personnel director of SKF, the Swedish-based ball – bearing group, said his company had been ranked third in a German survey of those best prepared for 1992. The group's biggest operating companies are in Germany and Italy with a research centre in Holland

Managers of his group's main subsidiaries, with one exception, had all worked for several years in another country, said Mr Rañang.

Two speakers concentrated on the British perspective in creating a Euro-workforce.

Sir Bryan Nicholson, chairman and chief executive of the Post Office and chairman of the Confederation of British Industry's Vocational Education and Training Task Force described the CBI's report on education and training. This report stemmed from the realisation that without action by British employers and the Government the skills gap between Britain and many of its competitors would widen.

Sir Bryan said he believed there was wide recognition in Britain that concerted national action was needed to resolve this fundamental problem.

Mr Angus Fraser, managing director of the Imperial College of Science, Technology and Medicine, said business and higher education had a great deal to benefit from improving their links in the education field. But, he said, the ultimate quality and effectiveness of that relationship would continue to be largely dependent on individual companies and universities, not on grand national initiatives.

High noon strikes for Thatcher and her visiting Euro-MPs

Philip Stephens reviews today's efforts to provide Britain with a united front on the main European issues of the day

FOR the watching media Mrs Margaret Thatcher's meeting later today with her party's 32 representatives in the European Parliament has all the ingredients of a political *"high-noon."*

Since her Government's heavy defeat last year in the Strasbourg elections the Prime Minister's dealings with the MEPs have often seemed to resemble her relationship with Mr Jacques Delors, the president of the EC.

Public differences within the senior ranks of the Conservative Party about how to respond to the growing pressures for closer European integration, have been mirrored by regular cross-channel sniping between the MEPs and many of their colleagues at Westminster.

Both sides are conscious that today's talks must be aimed primarily at repairing the damage and presenting a united public, if not private, front, on *the key issues which will con*front the Community over the next year.

The MEPs have agreed in advance that Sir Christopher Prout, their group leader, will alone report on the outcome of the talks. There are to be no "dissident" briefings for the press.

They are also insisting that many of the differences are more imaginary than real - focusing on tone and misunderstandings over language rather than on the substance of the debate over Europe's future. But the mutual suspicion remains.

A preparatory gathering earlier this month between Mr Kenneth Baker, the party chairman, was described by one of those present as both *acrimonious* and inconclusive. Even the circumstances surrounding today's meeting have been a cause of disagreement. The MEPs, who insist that they requested the talks, have been irritated by reports, apparently from Downing Street, that they have be "summoned" by the Prime Minister for a private rebuke.

The distance between the MEPs and the Westminister machinery of the Conservative party is not new. During the early 1980s they were widely regarded by their Commons' colleagues as "second-rate" MPs who had gone to Strasbourg because they could not find a Westminster seat.

More recently - and particularly since the passage of the Single European Act - there has been frustration among some Westminster MPs that while their control over events in Europe has waned, so that of the MEPs has risen.

In fact, many on both sides agree that the extent of the differences have frequently been exaggerated and have reflected different style and tactics rather than irreconcilable policy stances.

Some of these problems now look like being resolved. The MEPs can hope to gain far easier access to the ministers who travel regularly to Brussels.

The MEPs in turn will seek to impress on Mrs Thatcher that their stance at the European Parliament is often dictated as much by political practicalities rather than a desire to undermine.

While Mrs Thatcher's massive majority at Westminster allows her to press on almost regardless of what others may be saying, the influence of the MEPs depends on forging alliances with other centre-right groups. That inevitably involves compromises - as happened last year over the Social Charter.

Sir Fred Catherwood, one of the Group's most experienced members, insists that there is nothing in the MEPs' stance that runs contrary to the fundamental approach agreed by the Government when it signed the Single European Act.

The problem has been with the caricatures presented by the media suggesting that while Mrs Thatcher stands for a staunch defence of British sovereignty, the MEPs are outright federalists wanting to abolish national parliaments.

That no doubt does exaggerate the gap, but privately at least many of the MEPs insist that there are real issues of substance to be resolved.

The Government has tended to treat full membership of the EMS as a benefit it will choose at some stage to confer on the rest of the Community. The MEPs believe it should be the other way round.

More fundamentally, the MEPs see the Intergovernmental Conference on economic and monetary union as leading inevitably - if only eventually - to a single currency and a single European central banking system.

That it turn will strengthen the case for much greater democratic accountability over both the Commission and the Council of Ministers - accountability that could only be achieved by strengthening the European Parliament.

For Mrs Thatcher that still smacks too much, if not of federalism, than of an attempt to usurp the authority of the Government and of the Westminster Parliament.

It will take more than a glass of sherry in Downing Street to resolve such differences.

FT LAW REPORTS

Examination order is discharged

IN RE CLOVERBAY LTD
Chancery Division: Mr Justice Harman: January 17 1990

ADMINISTRATORS WHO issue a protective writ while they decide whether to proceed with litigation on behalf of an insolvent company, will not be permitted by the court to examine the defendant privately on oath if they have had the benefit of extensive disclosure of documents and no further information is needed to enable them to reach a decision.

Mr Justice Harman so held when granting an application by Bank of Credit and Commerce International SA (BCCI), to discharge an order obtained against it by joint administrators of Cloverbay Ltd for its examination on oath in connection with Cloverbay's affairs.

Section 236(2)(c) of the Insolvency Act provides: "The court may on the application of the office-holder [administrator] summon to appear before it . . . (c) any person whom the court thinks capable of giving information concerning the . . . affairs or the property of the company."

HIS LORDSHIP said that on October 18 1989 a registrar of the Companies Court made an order under section 236(2)(c) of the Insolvency Act 1986 on the *ex parte* application of joint administrators of Cloverbay. By that order BCCI was directed to attend at chambers for examination on oath in connection with Cloverbay's affairs.

On November 22 BCCI applied to the court to discharge or vary the order. An affidavit in support of the motion set out the history of Cloverbay and BCCI's involvement as its banker.

On March 22 1989 an administration order was made in respect of Cloverbay on the petition of its judgment creditor, Charterhouse Export Ltd. Charterhouse had obtained judgment for £7.5m.

On March 23 the joint administrators, Mr Withall and Mr Buller, who complained that Cloverbay's assets had been dissipated through BCCI's negligence, issued a writ against BCCI. They claimed damages on the ground that BCCI knowingly assisted Cloverbay's managing director, Mr Zafar Zaid, fraudulently to remove sums from Cloverbay's account.

On May 5 they obtained an order *ex parte* requiring BCCI to produce all books, papers and records in its possession or control relating to Cloverbay, supported by affidavit sworn by Mr Withall.

He swore that on his appointment as administrator he began to investigate possible claims against BCCI. On April 28 he wrote to BCCI stating that the writ of March 23 had been issued, but that he and Mr Buller had not yet formed an intention to proceed. He said the writ was issued for protective purposes. He emphasised that the administrators' investigations were in their preliminary stages.

The affidavit asserted that the administrators were anxious to establish all material facts at as modest expense as possible. It said they did not intend to take any final decision whether to serve and continue proceedings until they had considered the documents, and had obtained legal advice and creditors' approval.

BCCI applied to discharge the *ex parte* order. Mr Justice Vinelott refused. He said he could not disregard administrators' evidence that they had not reached a determination.

He said there was a public interest in ensuring that a liquidator who came fresh to the scene had available all information necessary to enable him to discharge his duties, including enquiring whether there were grounds for instituting proceedings. He quoted Mr Justice Hoffmann in *Re JT Rhodes (No 1)* with whom he agreed – "The liquidator must show a need to examine and the court must not allow examination to be excessive, vexatious or unfair."

The motion had been complied with. Large numbers of documents had been disclosed to the joint administrators and copies taken. This disclosure made, Mr Withall sought the order for private examination made on October 18.

BCCI's affidavit suggested that the administrators were now in a position similar to that of a plaintiff after discovery. All documents which could relate to the claim against BCCI had been disclosed. It suggested that examination of the two individuals was not necessary to enable the administrators to fulfil their statutory duties.

Mr Withall's answering affidavit emphasised the administrators had not decided whether to serve proceedings.

He swore they had considered the documentation disclosed by BCCI pursuant to the May 5 order, and had consulted solicitors and counsel. The advice given was that further enquiry should be made before taking a decision to sue.

He said that the *ex parte* order of October 18 was made on the basis of a report given by him to the court. That report contained a statement that the administrators had been advised by counsel that BCCI's involvement in the matter "appeared to be as bad a course of conduct on the part of any bank as he had seen, but that we would need to investigate further in order to establish whether BCCI had any explanation . . . or . . . possible defences."

On that evidence the court came to the following conclusions of fact: the joint administrators had not decided whether to proceed by serving the protective writ or otherwise suing BCCI. They had not decided, though very large amounts of documents were in their hands and they had had legal advice that there appeared to be a good case against BCCI.

In the court's view the administrators had resolved that they would not decide whether to sue BCCI until they had obtained all the material they could under the machinery of the 1986 Act.

The question was if in the face of a determination not to reach a decision but to go on exploring opportunities to make good the claim against BCCI, the court should allow the examination order to stand.

The subject was reviewed by Mr Justice Slade in *Re Castle New Homes Ltd [1979] 1 WLR 1075*. He stated that the power to order private examination was an extraordinary power required because a liquidator usually took office as a stranger to the relevant events.

He set out the need for the court to keep a fair and proper balance between the statutory intention that the liquidator (or now an administrator) should have an extraordinary power to obtain information, and the danger that it might be used to enable him to obtain an inequitable advantage over his opponent.

He reviewed authorities, including *re Franks, Ex parte Gittings [1892] 1QB 646* where, he said, Mr Justice Vaughan Williams kept "a careful balance between the desirability of avoiding a dress rehearsal of the cross-examination and the need of the trustee to have resonable information."

The same balance had to be kept today. Mr Justice Slade let the examination proceed.

On the basis of *Castle New Homes* the court had to hold the balance in the present case.

A "protective writ" had been issued. The administration had proceeded for some time, so the administrators, as officers of the court, were not coming to the matter without knowledge of the circumstances.

There was a creditors' committee likely to be able to fund litigation and large prospective sums for recovery. There had been extensive litigation by members of the creditors' committee, in which much factual information would have been discovered. There had been very extensive disclosure so that all discoverable documents in BCCI's possession were already available to the administrators.

Those facts seemed to point to the administrators' being in at least as good a position as most people considering litigation – probably better.

On the other hand, there was a natural desire in the court to enable its officers to do their duty as effectively as possible.

The court must consider the balance between oppression to the examinee and helping the liquidator.

The clue to that balance was found in the word "need" emphasised in Mr Justice Slade's elucidation of the *Gittings* decision and in Mr Justice Vinelott's quotation from Mr Justice Hoffmann.

If the court considered that the applicant did not need further information to take a rational decision whether to sue, but wanted further information to improve his position, then it was oppressive to order private examination.

The evidence in the present case did not convince the court that Mr Withall and his partner "needed" further information although they might reasonably "want" it.

On that basis it was held it would be oppressive to BCCI to order that its officers or former officers be examined.

For the administrators: Gabriel Moss QC (Clifford Chance).
For BCCI: John Brisby (Stephenson Harwood).

Rachel Davies

MANAGEMENT

Competing with the Far East

Digital learns to run a better race

Christopher Lorenz explains how the US computer giant has tightened its management of product development

Two weeks ago, Barclays Bank, one of Europe's largest financial institutions, received an unusual New Year present: the millionth "VT 320" video terminal made by Digital Equipment since the machine went into production just two-and-a-half years ago. Needless to say, Barclays is one of the Massachusetts computer giant's most valued customers.

The 320 is small beer compared with Digital's larger systems. But the company has many more reasons for celebrating the product's success than mere public relations at a time when, as it revealed last week, its profits have taken a sharp dive.

In a sluggish market, and against vicious US, European and Far East competition, the 320 has more than rebuilt Digital's previously slumping market share in text terminals attached to its networked computers, from 49 per cent in mid-1987 to over 65 per cent.

This has had a wider spin-off effect. As one senior Digital manager says: "Terminals act as a front-end marketing tool; winning the desk top is very significant for all the much more expensive equipment that goes into the back room."

All this is only the start of the story. More significant still is a set of organisational lessons which the 320 project provides – both for Digital itself, and for other companies of all shapes and sizes.

The 320 represents an organisational breakthrough in several respects:

- in Digital's ability to slash production costs at least as low as those of its Far East competitors;
- in its acceleration of the development process at least to match their short timescales;
- in its ability to step up its flow of new products as life cycles are compressed further;
- in its growing experience of how to manage development projects in a truly multinational fashion – a difficult challenge which will face many companies in the 1990s;
- and in the way it has started to capitalise on the skills of its industrial designers, who have always languished within Digital's strong engineering culture. "Engineers walk about a foot above water in this corporation – unlike the rest of us," says Richard Johnson, manager of Digital's design group.

Behind all these advances lies one common thread: the way Digital has at last begun to get a tight grip on the way it runs product development, through what is usually called "programme" or "project" management (Digital calls it "product management").

This did not look very likely four years ago, when, in the words of Victor Bellemare, the product manager who ran the 320 project, Digital spent months "waffling" about what sort of product was needed to succeed the VT220 – the 320's more costly predecessor.

This kind of extended debate is a natural product of Digital's very open culture, and used always to be a strength. But in today's market conditions it is often a handicap.

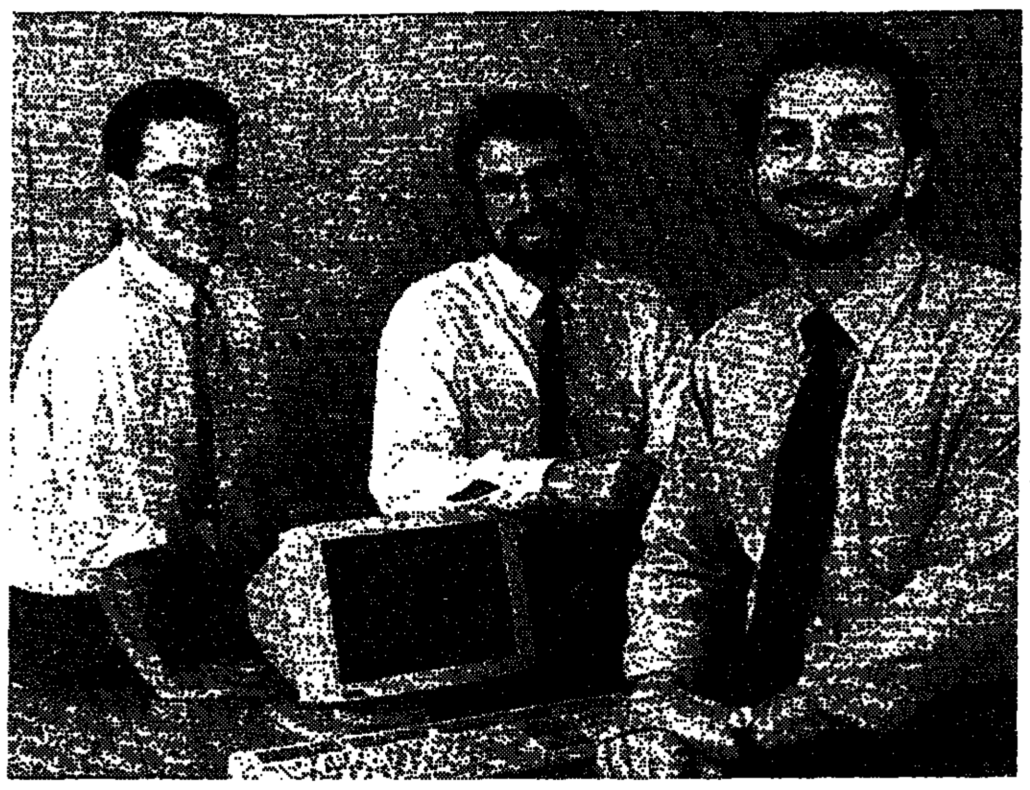
As with the VT220 in the early 1980s, it was only after a strong intervention by Kenneth Olsen, Digital's founder and president, that the debate was brought to an end and a firm programme actually got under way. Olsen is famous within Digital for his readiness to involve himself not only in individual product decisions, but also in quite minute design details. "He likes to work on a drawing board and come up with things," says Bellemare.

At a meeting in January 1986 with seven top managers from a wide range of functions, Olsen laid down a set of pretty precise objectives for the product: it should have a 14 in screen "so small that it almost seems to sink into the desk top"; it should have a list price of $500 (less than half its predecessor's original price), which meant a factory cost of $160; and it should be shippable within 12 months of the formation of the development team.

The detailed product specifications (for circuit board layout, power supply, etc) were also tighter than usual: Chris Landry, the industrial design supervisor on the 320 project, complains that Digital has tended to suffer from "marshmallow specifications."

Yet Bellemare still needed every ounce of his natural drive and diplomacy to co-ordinate the multi-disciplinary development effort, which involved product engineers, manufacturing engineers, quality experts, field service people, industrial designers and marketing specialists.

Digital has worked with such multi-disciplinary teams for years, with many development phases being run in parallel – an approach to product development which has been practised for years in Japan and a few US companies, instead of the traditional sequential approach.



Victor Bellemare (right), programme manager of the VT320 project, with industrial designers Chris Landry (centre) and Bernie Maurer: "We're like a vertebra running through the project, with a nerve end into everything"

But Digital's teams have tended to lack discipline, falling prey to changing demands along the way, especially from the central engineering departments. "There are strong and weak programme managers," says Bellemare. "We have great difficulty getting people with enough all-round skills; a lot of engineering managers say 'I'm the boss – you're just co-ordinating the programme'."

This complaint has been heard in many other Western multinationals in recent years – from Philips, the Dutch electronics multinational, to several major car makers.

Digital's response has been to reinforce the position of product managers, especially in its desk-top systems business under the leadership of a recruit from IBM, Larry Cabrinety. As a result of this, and of the success of the 320 programme, and several other "model" projects, they have gained considerable respect.

Since his arrival as Bellemare's boss in 1986, Cabrinety has established a reputation for "breaking through the bureaucracy of the company," as Bellemare puts it. But Cabrinety has also established new principles of programme management, design-for-manufacture, and other initiatives. "Larry's people can get things done better, cheaper, and faster," boasts Bellemare.

As Cabrinety sees it, "the key thing is discipline. In the past, the problem was not only that initial prescriptions weren't tight enough. It was also that product management hadn't constantly probed and followed up every aspect of a programme's progress, to make sure that all the specialist functions were performing according to requirements."

The main success of the 320 project, he says, was its approach of "here's the target – now go for it!". He says that "the team was extremely focused – probably the most we've ever had at Digital – and it refused to let anyone stand in its way."

Both Cabrinety and Bellemare are especially critical of the way Digital projects tend to be "interfered with" by engineers and marketing specialists during their development.

In such a fast-moving industry, with a constant flow of new competitive products, there is always a temptation for people to try to add extra performance to a product. But Cabrinety says that "all too often, the market place doesn't want this – it just wants high quality and reliability."

Just as important as the degree of management discipline in the 320 project was the central role of industrial design. With the pride of a typical engineer, Cabrinety tends to play this down, seeing design as just part of the electro-mechanical support function.

This is certainly design's formal position at Digital, four levels down in the corporate hierarchy. But it is clear from Bellemare's first hand account of the process that the designers played a much more influential role than was usual at Digital.

This was not merely because the 320 was a relatively simple product, where compactness, good looks and excellent ergonomics were vital to its success. In many ways, the ability of industrial designers to smooth communications between other types of specialist was even more valuable.

Chris Landry, a thoughtful and understated man who worked on the project with one of his staff, Bernie Maurer, describes this role as "translator and liaison between engineering and management."

"We're like a vertebra running through the project, with a nerve end into everything," Landry says. "We facilitate the visualisation of ideas, and our sketches and models are a key to the acceleration of the development cycle. I can't emphasise enough what that does; it stops people talking and flailing their arms around – instead you get things clear, and done, right up front."

Landry also describes the industrial designers as "consultants to management." He says "we're not just reactive – we do propose ideas for things, and it wreaks havoc with many engineers, who see themselves as the initiators within this company."

This role had an added dimension in the 320 project – liaison between the design and management team in Massachusetts and Digital's product and manufacturing engineers in Taiwan.

Digital established engineering in Taiwan in the early 1980s, alongside the new manufacturing facilities it put down to take advantage of low Far East costs; the company has a strong belief in co-locating engineering and manufacturing, in order to get close collaboration between them.

Maurer was delegated to be the main contact with Taiwan both by Bellemare and the senior engineer on the project, and he ended up suggesting various mechanical improvements that went well beyond his formal skill as an industrial designer. One of the hardest-fought was a much smaller on-off switch than Digital's standard item.

Instead of the Massachusetts-Taiwanese connection acting as a break on the development process (they are 10,000 miles apart, and have a 12 hour time difference), it actually helped streamline matters.

One reason was that the distance forced both sides to communicate very efficiently, whether by visiting each other or (very much more often) by fax or on a computer-aided design network. "It's sometimes far quicker to do things by hand than by CAD," says Chris Landry. "We can flash ten hand-drawn sketches across to Taiwan, and then get a response back overnight."

"Working between Massachusetts and Taiwan is like being in a giant conference room," says Landry.

Another reason why the relationship worked well was that there were few politics at the Taiwanese end; the engineering manager and the manufacturing manager there report to the same person – an unusual arrangement within Digital.

A further reason was the respect which Taiwanese engineers have for industrial designers. "They liked – rather than resented – the fact that we knew their stuff," says Landry, "and that we kept coming up with all kinds of things that have nothing to do with aesthetics."

A further factor was the organisational flexibility of the Taiwanese. They were always willing to get machine tools modified rapidly to take account of design changes, unlike their US counterparts. And, says Victor Bellemare, "there was no ego – no reaction on the part of an engineering or manufacturing specialist that 'I don't work for the product manager, I work for my functional boss'."

In the US, Bellemare and other Digital product managers seem to be plagued by this problem.

A very different product programme, on which a team under him has been working entirely in the US, has been proving "a nightmare," says Bellemare. Even just getting the product's casing designed, approved, drop-tested and so on has been exceedingly bureaucratic, he complains. "Everyone here wants a say as to whether things are right or not."

Such problems are endemic to any product development matrix in which programme managers are fighting to get a whole series of specialist engineering and other departments to agree to various aspects of a design. Not surprisingly, both Bellemare and Cabrinety argue strongly for a shift in the balance of power, and a reduction in the company's central engineering resources. "The whole organisation is too lumpy," says Bellemare.

"As a company gets entrenched, engineers feel there's only one way to do things," says Cabrinety. "But the Taiwanese are interested in only one thing – meeting our targets." Part of the problem in the US, he says, is that Digital has too many central groups wedded to the "Digital Way" of doing things. "But you have to change – or your company won't be in existence in 20 years' time."

The success of the 320 development programme is proving difficult for Digital to duplicate, in other words. Not with the 320's successor product, which is now under development, again in a Massachusetts-Taiwan network – with design playing a leading role – but with others where development is located entirely in the US.

If it is to replicate the effectiveness of the 320 programme on a regular basis, and on more complex products, Digital clearly faces further upheaval in the way it manages development within the US. In the meantime, other companies have plenty to learn from its best practice, particularly its ability to harness a design and development effort successfully between countries which are oceans apart.

COMPANY NOTICES

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED

Registration No. 01/00251/06
(Incorporated in the Republic of South Africa)

DIVIDEND NO. 109
ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 19 December, 1989 members are informed that the rate of exchange at which payment of the above dividend are to be despatched by the United Kingdom Paying Agents on 6 February, 1990 is 1 rand of 100 cents equals 23.640662p United Kingdom currency. The gross dividend payable by the United Kingdom Paying Agents is therefore, equivalent to 9.4562p per share. Holders of share warrants to bearer are informed that payment of Dividend No 109 will be made on or after 6 February 1990 upon surrender of Coupon 112 at the office of Hill Samuel & Co., 45 Beech Street, London EC2P 2LX.

	Amount payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	9.4562
Less South African Non-Resident Shareholders' Tax of 15%	1.4184
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	8.0378
Less: United Kingdom Income Tax @ 10% on the gross dividend (See Notes 1 & 2 below)	0.9456
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	7.0922

Coupons must be listed on forms obtainable from Hill Samuel & Co. Ltd. and deposited for examination on any weekday (Saturday excepted) at least seven clear days before payment is required.

99, Bishopsgate,
LONDON EC2M 3XE
24 January 1990

BARNATO BROTHERS LIMITED
London Secretaries
Mrs A. P. Smith
Secretary.

NOTES:

(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 9.4562p

(2) Under the Double Taxation Agreement, between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the standard rate of 25% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE ABOUT PROPOSED ACQUISITION BY KINGFISHER PLC OF DIXONS GROUP PLC

The Monopolies and Mergers Commission would like to hear from any person or organisation with information or views on the acquisition by Kingfisher plc of Dixons Group plc.

The Commission will be studying the possible effects of the acquisition on the United Kingdom markets for the retail of electrical goods.

The Commission would like evidence in writing by 5 February 1990 to be sent to: The Reference Secretary (Kingfisher/Dixons), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

TELEVISION

Fierce competition for the wooden spoon

Week three of the 1990s and, night by night, the most dramatic programmes on our screens are the news bulletins telling us what is happening in the Warsaw Pact countries. History is being made so astoundingly fast, it is impossible to guess what will happen between the writing of this article and its appearance in print: will East Germany be back under military control? Will Azerbaijan secede from the USSR? Will Yugoslavia have adopted a multi-party system?

The news programmes are invaluable and engrossing, but what television also needs is a David Mercer for the 1990s. *Somebody needs to convey the* reactions of all those Western European liberals who previously found their driving force and their hope in socialism. So much of the work of the British intelligentsia since 1945 has been imbued with left-wing thinking that it is difficult to imagine what is going to happen now that socialism lies in tatters all the way from the Baltic to Walworth Road.

What we are getting instead is a huge array of series which, although they are new, are also in most cases pretty familiar. Take BBC1's Tuesday night drama serial *A Sense Of Guilt*, for instance. It was written by Andrea Newman whose work (*Bouquet Of Barbed Wire* was, if anything, rather worse) makes me feel vaguely ashamed of watching. I felt much the same when, as a schoolboy, I went to a strip club in Karlsruhe and saw middle aged women wearily removing their clothes while American servicemen sat at the bar drinking beer and cracking jokes, in many cases facing away from the stage.

Does this suggest that my distaste arises from an unwillingness to confront reality? Is Miss Newman achieving such a realistic representation of contemporary mores that one can scarcely bear to look? I think not. What I find embarrassing is her single-minded concentration on the murky, the unworthy and the shabby. If the women in Karlsruhe had had splendid costumes, been good dancers or singers, or keen to crack jokes, the atmosphere would not have been dingy and shameful. In *A Sense Of Guilt* it is the unmitigated attention to dreary immorality which gets me down.

How anybody in an Andrea Newman story ever finds time to earn a living, goodness knows. If they are not in bed with their own daughters, or somebody else's, then they are grizzling about their emotional difficulties to an ex lover or a step father. As in Drabble novels or women's magazine stories, entire lives seem to be taken up with *hunting down and picking out the nits* from fearfully complicated emotional tangles. It is enough to turn you into a Colonel Blimp: "Right! Time for a long run and a cold shower. Take your mind off all this nonsense! The devil makes work . . ." etc.

Yet *A Sense Of Guilt* is neither the most conventional nor the most mediocre new drama series of the season. There is fierce competition for the wooden spoon between ITV's Saturday night cop show *Yellowthread Street*, and ITV's Tuesday night drama series *Making News*, which chronicles the activities of a television news company.

Characters in 'Making News' (top); and 'A Sense of Guilt'

Yellowthread Street could almost be run unaltered as a parody of the slick, modern American cop shows from *Hill Street Blues* to *Miami Vice*. Where the Americans would give you clothes by Armani and Ungaro the British version seems to be using Woolworth's. Our police woman heroine runs around Hong Kong in a mini dress which manages to be both tight and shapeless. While the Americans use dialogue that is fast and funny, the British resort to sixties clichés ("Like now, baby"). Worst of all, though, are the underlying attitudes. *Hill Street Blues* dealt sensitively with everything from racial integration and feminism to Reagonomics and language barriers. *Yellowthread Street, with its slitty-eyed villains and* tediously repetitive car chases, seems locked into the ideas of the 1950s.

The most astonishing thing about *Making News* is that even with real news programmes being screened a dozen times a day, writers and producers of drama series still cannot get the right tone or feel. They have their "reporter" deliver phrases which no real reporter would ever use, on or off screen. The Kate Adies of this world do not go around saying "My cred'll be right down the drain."

As for production values, this series too comes close to farce. When the black woman reporter steps out of an "Australian" bar in the "outback" the "Australian" landscape consists of Welsh mountains covered in Welsh grass, grazed by Welsh sheep, attended by a Welsh *sheepdog, under a grey* Welsh sky. When she returns to London she throws a Lawrence Corner bush-hat hung with corks to the news editor. It has all the authenticity of a Constable painting on a biscuit tin.

The new situation comedies are not so embarrassingly inept, yet they are hardly more original. *You Rang, M'Lord?* combines the situation of *Upstairs, Downstairs* with the cast of *Hi-De-Hi!* who play the servants. Upstairs is the predictable collection of *effete toffs: Cissy in monocle and jod*phurs, winking at the maid and talking of whipping Arabs; the Honourable Teddy with receding jaw who keeps trying to get into the maid's bedroom; Lord George the poodle faker, and so on. Downstairs the butler fancies the cook and the footman bullies the boots. You could write it yourself. However, since it is actually written by Jimmy Perry and David Croft (whose previous series include *Dad's Army, It Ain't Half Hot Mum*, and *'Allo 'Allo* as well ad *Hi-De-Hi!*) the BBC will no doubt persist with it until it wins a huge audience – if it hasn't already.

Major Dad, also being shown on BBC1, is an American import which relies for its laughs on the idea of a liberal female newspaper reporter (with one of those terrifyingly charming and funny small daughters, only found in the USA) marrying a gung-ho Marine officer. As with all American comedies there are good lines ("That's an M60 tank" says the Major, watching television with the little girl, "we have those at work") but it seems highly unlikely that this will turn out to be in the same class as *Bilko, M.A.S.H*, or *Cheers*.

I had high hopes for *Notes In The Margin* because this BBC2 series promised "six personal guesses at how future generations may interpret the last 10 years." That sounded like the sort of opinionated television of which we see far too little, and that little mostly on Channel 4. Sure enough each programme does comprise a personal interpretation or thesis, but, as so often in the past, the marriage of television pictures and verbal arguments proves pretty unhappy.

The opening programme last week spent much of its time setting up a straw man (the maternal father) and then ridiculing him for having feet of clay, which came as little surprise to those of us – the overwhelming majority presumably – who never believed in this figment of the adman's imagination in the first place. Tomorrow's *programme opens with Philip Norman* telling us that when he was small he used to watch a television series called *Fantasy Island* where dreams were turned into "reality," an interesting metaphor for the Britain of the 1980s which Norman portrays as evading reality and sinking into a sea of fantasy in heritage museums, theme pubs, and Tudor eateries.

But just a moment: Mr Norman says that he grew up during the 1950s which must mean that he is now in his early *or middle forties. Fantasy Island* was launched in the US on 28 January 1978, and imported to Britain later. By 1978 Norman must have been in his early thirties: how "small" was he then? Who, amid the welter of wild and generalised assertions in this programme, is suffering most seriously from delusions and living in a world of fantasy?

Judging from the opening episode, one of the best factual series of the season is going to be Anthony Sampson's *The Midas Touch* on BBC2 on *Sunday evenings. Here it does seem, for* once, as though the ideas and even the scripts – which are about money, the stock market and power – came first and the pictures later, as illustrations. But to that, and doubtless to the decline of socialism, we shall return.

Christopher Dunkley

Valued Friends

HAMPSTEAD THEATRE

Stephen Jeffreys' award-winning play made its appearance last year with an inspired flourish just as its subject, the property market, was clambering towards the peaks from which it has ever since been tumbling.

At this early stage in the decade one can only speculate the plotting changes that would have to be made were it a play for the Nineties rather than the Eighties, but it makes a diverting game: Paul with his escape route barred by the tumbling value of property; Howard with a proven bestseller on his hands in his thesis The Myth of Recovery; the jug-eared estate agent Scott (Martin Clunes, hilarious sole survivor from the original cast) trying to smart-talk the dole office out of a few extra quid . . .

The economic changes that lie between première and revival have already made the play into something of a period piece, giving if anything an extra wryness to Jeffreys' portrayal of the wedge driven between friends by property ownership.

The so-familiar basement pad, with its patchwork of off-cut carpet, its posters of Bob Dylan and Anglo-Saxon art, is certainly a thing of the past, but so – for the time being to the people who are now paying the mortgage – are the £2,000 rug and the customised kitchen.

But the strength of the play from the start was Jeffreys' sense of a moment in history, and his enshrinement of that sense in a slightly quaint naturalistic style that has echoes of cosy evenings at home watching "Play for Today."

Interestingly, rather than trying to mimic casting of its original production, Hampstead has opted for a line-up with roots in the comedy circuit, the assimilation of which into the mainstream theatre is another notable phenomenon of the decade.

Josie Lawrence, a stalwart of the Comedy Store, polishes off the part of the scatty stand-up, Sherry, who embodies the wish fulfilment of the play by somehow managing to have her cake and go round the world in it; on the other hand, the time it takes Jimmy Mulville to warm to the part of Paul, career journalist turned fanatic home builder, hints at an as yet slightly uneasy restraint.

The inverse development of Paul and Louisa Rix's increasingly clipped and starchy Marion shows Jeffreys' at his most perceptive: acute without being condemnatory.

Michael Angelis imbues the working-class academic, Howard, with a huggy-bear *softness that is all growl and* no bite. Like all the the characters in Robin Lefevre's revival (with the possible exception of the philosophising brickie, roped in to help with alterations), one feels as immediately familiar with him as with the Sixties hits that punctuate the scenes.

It is witty, but it is also right.

Claire Armitstead

Alastair Muir

Martin Clunes and Josie Lawrence

Duck variations

MAN IN THE MOON

David Mamet has devoted so much artistry to the development of lead-free dialogue that his plays are in danger of wafting off into the wide blue yonder. Those who looked in vain for ballast in *Speed-the-Plow*, his slender portrait of the Hollywood good buddy network, will not be surprised by this 45-minute scene sequence linked loosely by the subject of ducks. *Duck Variations*, a transfer from the Royal Exchange, Manchester, to Chelsea's Man in the Moon, is an intriguing piece, not least because of the lurking suspicion that the whole thing is a send-up of the park bench play, that meandering genre popularised by such sweets as *I'm Not Rappaport* or more recently, *A Walk in the Woods*.

In common with both, Mamet installs two likeable oddballs in a bickering companionship at either end of a bench from which they hold the world in cantankerous contemplation. The fact that the linking preoccupation is the fate of the common-or-garden duck provides Mamet with a word that becomes increasingly comic with repetition, especially when enounced in a Chicago accent.

The duck and its fate in a polluted, overpopulous world are not, of course, intrinsic sources of amusement – and the serious side of the play is pretty serious. They have cancer and a natural lifespan which can be unnaturally terminated in the name of gourmandise or simply sport. "In many ways nature is a window to the world," says one man to the other. "Nature *is* the world," comes the response.

In a sense, obliquely acknowledged by the two, they are not talking ducks at all but their own fears, insecurities and inadequacies. Loneliness, one subject capable of rousing them to a rage, lurks around every corner. Mamet has a fine command of the shifting power relations of conversation, which is captured in the playing of Roy Samson and Terence Beesley, though one occasionally misses the precise musicality of the language. It is only a pity that Ian Hastings' pithy production should have come all the way down from Manchester to find such a paltry welcome on the *King's Road*.

Claire Armitstead

A Somerset weekend with the Carmina Quartet

For the last 14 years the Castle Hotel, Taunton has played host to weekends of chamber music – Friday (evening) to Sunday (afternoon) stretches of music in four carefully chosen programmes, given by distinguished groups and soloists. String quartets such as the Lindsay and the Chilingirian provide the main diet, and weekends of thematic planning (all-Beethoven, all Haydn and Mozart) alternate with those of more general provision; but pianists are by no means neglected, and Songmakers' Almanac weekends are not unknown.

The artistic director is Ivan Sutton, a former City of London Festival director and the instigator of the City's renowned, long-running Bishopsgate Institute lunchtime concerts. He has won for the Taunton enterprise (sponsored by the wine-shippers Eldridge, Pope) a following that is evidently both fanatically loyal and richly gratified.

It's easy to understand why: the weekends may not come cheap, but they offer extraordinary value for money. Between concerts there are the pleasures of the town to sample, not to mention the pleasures of the Castle table – currently the recipient of a Michelin rosette – or its welcome and concern for comfort, old-fashioned in the very best sense. (The hotel, for 30 years owned and run by the Chapman family, is up for sale. Fears that the venture may not survive the change of hands are being graphically portrayed: but, for the next two years at least, an anonymous enthusiast has underwritten its continuance.)

The critic who has been invited to a Castle weekend is unlikely to leave it in a severely fault-finding frame of mind. But, it still seems to me that a Castle weekend such as I have just spent comes pretty close to the chamber-music-lover's vision of paradise. For one thing, one hears the music in a *chamber*: even the virtues of our much-loved Wigmore Hall pale into poor second-best beside the intimacy of the Castle music-room, with its excellently warm acoustics.

And when the musicians are of the calibre of the Carmina Quartet, the experience cannot fail to enrich one's understanding of the whole medium. I first heard the young Swiss quartet after their superb showing at the 1987 Reggio Emilia Competition – the politicking shenanigans that prevented the Carmina from being awarded first prize provided the year with its prime musical scandal. Since then they have become regular visitors to London, and their career, initially launched by controversy, has now settled into a pattern which only genuine artistry can sustain.

It was immeasurably rewarding to be able to examine their performances of Haydn, Mozart, Beethoven, Mendelssohn, Dvorak, Ravel and Szymanowski at such close quarters, and to discover that the qualities I praised three years ago are being built on and developed with what now appears unarguable authority. Indeed, a weekend such as this made clear the astonishingly high level of technical prowess which all four players sustain: such a strong sense of equipoise between parts, such assured corporate control of intonation, ensemble, and sonority blend, such a flow of beautiful sound, are not to be taken for granted.

But one soon ceases to focus on technique, since it is always being directed toward musical expression, not display. The Carmina are in many ways a blessedly old-fashioned group; their ability to create the illusion that the music is making itself, and that no detail of rhythm or texture will be underlined at the expense of the larger canvas, has nothing to do with the "image salesmanship" that some young string-quartet groups now feel required to purvey.

The overflowing musicality that shone from these accounts of the Mendelssohn A minor or the Dvorak American, in particular, was a product of what I can only call purity and tact of interpretation: full-voiced and passionate, but also shot through with half-lights and unforced delicacies of phrasing. In Classical music (Haydn's Op.76 no 1, the Mozart D minor, K421) the style was effortlessly right; to such a rarity as the Szymanowski Second the players brought a marvellous combination of dashing energy and authority.

An itemised catalogue of the weekend's musical pleasures would make tedious reading; the abundance and kind of those pleasures confirmed the Carmina's place among the chamber-music leaders of the day.

Max Loppert

London Classical Players

QUEEN ELIZABETH HALL

On Saturday Roger Norrington and his "period" band treated a chock-full house to a modest little programme: Schubert's mild Sixth Symphony, Schumann's cello concerto and a pair of Rossini overtures. As if to put the bravest possible face on the affair, the programme-book declared that "the audience of the time would have applauded most movements of symphonies and concertos" (really? no matter what?) and added, "We are happy to encourage you to do the same at suitable moments."

Only the Schubert *had* separate movements, and therefore suitable moments, but Mr. Norrington was happy and indeed determined to encourage us: at each close, he did everything short of actually conducting us. This somewhat disguised the fact that the later movements of the Sixth Symphony never quite recapture the high spirits of the first (billed in the notes as an "Adagio"!), and that the Finale jogs along beyond its natural span, something which the amiable performance failed to disguise.

The familiar Rossini overtures went with plenty of brio, and the elegantly witty first oboe outdid himself in the one for *L'Italiana in Algeri*. The best reason for having come was nevertheless Steven Isserlis's wonderfully simple-but-subtle playing in the Schumann Concerto, ideally attuned to the composer's intimate style of address. Here the period instruments revealed Schumann's orchestral colours with unfamiliar freshness.

Norrington was scrupulously attentive to his soloist, though he is less at home with Schumann's flowing rhythms than in Rossini; there was some grinding of gears when the pulse altered, as it does often. I found Isserlis hard to watch: nowadays he allows himself a full histrionic acting-out of his music, which – given his accidental resemblance to Terry Jones in faun-locks – is a bit imprudent. Some self-viewing on video might be as therapeutic as Alfred Brendel admits it was for him, some years ago.

David Murray

ARTS GUIDE

January 19-25

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

The Good Person of Sichuan (Olivier). Magnificent National Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about a Chinese prostitute who can only do good by adopting a vicious disguise. If poverty is not combated by political systems, what can an individual's compassion do? Witty new translation by Michael Hofmann. Fiona Shaw leads a fine cast in a play new-minted for the 1990s. Jan 29-Feb 3 (928 2252).

A Little Night Music (Piccadilly). Fine revival by Ian Judge, imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Winter's Tale (Goodman). Frank Galati directs a production that spans the ages, interpreting Shakespeare as running from Ovid and television. Ends Feb 17 (443 3800)

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner. (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant zaniness (871 3000).

Tokyo

Kabuki. The festive new year programmes (at 11am and 4.30pm) at Kabuki-za feature all the top stars, including several Living National Treasures. Among the highlights of the matinee is a famous scene from *Benten Kozo*, whose underworld hero dresses as a lady of rank to carry out a raid. Opens Jan 2 (541 3131).

At the National Theatre a triple bill featuring mainly younger actors and including Yanone (The Arrowhead), an evergreen new year favourite acted in the extravagant "aragoto" style. Opens Jan 3 (265 7411). Both theatres have excellent earphone guides in English as well as English-language programmes.

Hogiuta. So Kitamura's play, premiered in 1979, is regarded as one of the most significant works of postwar Japanese theatre and depicts a journey by a pair of entertainers around post-holocaust cities. Directed by the author, this revival is by the popular Nagoya-based Project Navi theatre company. Aoyama Enkei Theatre (797 5678) (Thur).

Magna Carta for private sale

One of the most important early copies of the Magna Carta has surfaced in Switzerland. It is a unique illuminated edition, transcribed, in book form, in 1307. While early 14th century copies of the Magna Carta are not especially rare, to get a copy with so much illumination, including grotesques drawn in the margins as well as illustrated initials, is a discovery.

The new owner, the book dealer Douglas Mellor, is hoping to keep the book in the UK. His asking price is around £250,000 and Mr Mellor is seeking a patriotic sponsor who will purchase it and then donate the Magna Carta to the financially hard pressed British Library, which has expressed an interest.

He is loathe to sell it at auction. Mr Mellor has produced some interesting statistics which compare the prices realised for important manuscripts at auction compared with their higher pre-sale estimates. Taking 30 manuscripts which have exceeded £200,000 at auctions throughout the world, only one actually sold below its high estimate. The actual total price of the 30 is £24.5m as against the total pre-sale high estimates of £8m.

This Magna Carta would grace any collection, but a more wonderful discovery would be to find one of the copies of the Magna Carta produced after the Runneymead confrontation of 1215. Three survive but at least eight were produced.

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Keeping 1992 on track

IT IS not surprising, in the light of recent events in Eastern Europe and the quickening debate over economic and monetary union, that the single market programme no longer dominates the European Community agenda as it once did. However, it would be wrong to assume that, four-and-a-half years after the programme was set in train, it can be left to rumble along under its own momentum. A great deal of determination and energy will be needed to see it through to its destination.

It has always been clear that creating a true single market would extend well beyond the end of 1992, when the EC aims to have approved all 279 measures in its legislative programme. The further work on the legislation advances, the more urgent the need to ensure that it really does demolish obstacles to free competition.

EC ministers have approved more than half the proposals and have achieved unexpectedly rapid progress in recent months in some difficult areas such as air transport, telecommunications and life assurance. However, many contentious issues which touch the nerve of national sovereignty – including public procurement, tax and border controls – remain to be resolved.

Moreover, national parliaments' record in endorsing proposals agreed so far has been disappointing: barely a dozen have been ratified by all member states. The disparity raises doubts both about the legislative timetable, and about some EC governments' longer-term commitment to the enterprise. If they prove as reluctant to abide by the laws of a single market as they have been to enact them, the Brussels Commission will face a huge enforcement task in the 1990s.

Lobbying pressure

Lobbying pressure from industry may help nudge recalcitrant governments into line. However, it would be naïve to think that the high priority which many European companies have assigned to 1992 automatically supports a more open and unified EC market. There is a risk that, in some cases, the former objective could frustrate the latter.

While many European industries have thrown themselves energetically into re-structuring across borders, there is less evidence that the behaviour of EC markets has started to converge. Indeed, a recent study by the Bureau of European Consumer Unions found that differences between car prices across the EC have actually widened since 1987. Such discrepancies testify to the persistence of technical and other barriers for which, in the case of cars, producers themselves are partly responsible.

Monopoly positions

Equally, while the efficiency of many sectors of EC industry stands to gain from rationalisation, there is a risk that it could become a pretext for exploiting consumers. Some recent mergers and alliances, particularly in airlines, appear to be aimed more at embedding monopoly positions and colluding with potential rivals than at confronting future competition.

Much of the onus for preventing such abuses falls on EC competition authorities, which were recently given expanded authority to control large mergers. These powers, however, do not take effect until September, and it may take longer for their precise scope to be clarified. In particular, they will contribute to keeping markets open only if mergers are judged by their impact on competition – and not diluted with vague "social" criteria, as some commission members appear to want.

The importance of the role played by Brussels' anti-trust enforcers will depend vitally on what kind of trade policy the Community pursues in the future. Higher external trade barriers would not only favour the formation of cartels among protected EC producers; it would also rob the Community of a powerful source of competitive pressure.

Without full market integration, dreams of eventual economic union make little sense. The EC also needs to remember that free access to a large and efficient single market is important not only to its own producers but is one of the most valuable economic benefits it can offer the countries of eastern Europe which it is so eager to help.

Poll charade in Burma

THE WINDS of change are blowing, often at gale force, throughout the dictatorships of the world. In eastern Europe, Latin America, Africa, even Mongolia, popular desire for choices is beginning to win through.

A few countries are being left behind as their leaders look determinedly the other way, resisting change and protecting single party power at all costs: China and Albania are the most notable. Even fewer are making a cynical pretence at change while remaining anchored in the past, supported by machine guns: Burma is the most obvious and saddest example.

Elections are due in May. There was never much optimism that they would be fully fair. But they have been rendered entirely worthless before campaigning begins by the ruling regime's treatment of the main opposition leader, Ms Aung San Suu Kyi. She has been living under house arrest since July. She has now been disqualified from standing for elections for a variety of trumped up reasons, ranging from her marriage to a foreigner to unsubstantiated allegations that her party is linked to insurgents. U Nu, the last elected Prime Minister of Burma, has also been banned from standing in the elections. Thousands of opposition activists are in prison without trial.

Few countries started independence with brighter prospects than Burma: many valuable export commodities, land so fertile that it provided a rice bowl for all Asia. There were some nasty ethnic insurgencies and unpopular land policies but the outlook from Rangoon and Mandalay was promising. That all changed in 1962 when U Nu's government was overthrown in a bloodless coup led by General Ne Win.

Popular protests

Ne Win then led the country rapidly to poverty through self-imposed isolation. He got away with his eccentric one-man, one-party mixture of Bhuddism and socialism until the ruination was such that the stoical Burmese could no longer feed themselves. The demonetisation of higher value currency notes in September 1987 was the end: widespread popular protests erupted with huge rallies in support of the opposition groups.

Ne Win "retired" in July 1988 only to continue his absolute control behind a quick succession of new presidents. The third of these, still in office, was General Saw Maung, who ordered troops to open fire in September 1988 for as long as as necessary to crush the pro-democracy demonstrators. Thousands died.

Impression of reform

The Burmese leadership called elections to create an impression of reform. The only real danger to the regime's clear intention to win was Ms Suu Kyi, leader of the National League for Democracy and daughter of Burma's independence hero, Aung San. Her proven ability to mobilise huge crowds suggests that even if she could be cheated in an election, mass protests might again ensue. Hence the regime's attempts to persuade her to leave Burma: visits from her English husband have been increasingly restricted, her children's Burmese passports have been invalidated to prevent any visits by them.

Recent experience in eastern Europe suggests Burma may be heading for catastrophe. The country's economic crisis cannot be alleviated with western help under present conditions: the country's main aid donors, headed by Japan, have tied a resumption of financial assistance to genuinely free elections and sweeping economic reforms. Japan stressed last autumn that it was particularly concerned about the fate of Ms Suu Kyi.

Ne Win and his clique appear not to care, continuing with political repression and serious abuses of human rights. It is all too reminiscent of the style of Nicolae Ceasescu. It would be an entirely predictable tragedy if the regime's persistent devotion to autarky resulted in the Burmese people deciding to endure yet more bloodshed and to follow Romania's route to reform. The peaceful alternative is to free Ms Suu Kyi immediately, allow her to lead her party in elections monitored by independent foreign observers, and accept the results. The chances of that are looking bleaker.

John Plender contrasts optimistic economic forecasts with nervousness in the markets

A harder side to the soft landing

Official forecasts for the world economy are almost uniformly optimistic about the prospects for an easier transition to slower growth. Indeed the Organisation for Economic Co-operation and Development in its latest Economic Outlook worries that its prediction of a gentle decline from an annualised 4 per cent rate of growth in the first half of 1989 to just under 3 per cent in 1990 and 1991 may underestimate the robustness of the economies of the developed world.

Why, then, do the markets appear to be living from month to month in a state of incipient panic, with Wall Street taking its cue on Monday from last week's spectacular dive in Tokyo? And does the sudden spate of financial restructurings around the world, ranging from Campeau in North America, via Magnet in Britain, to the Bond Corporation in Australia point to serious weakness in the banking system?

There is no shortage of fundamental or technical explanations for any given twitch or turn in the markets. Dealing systems have also been subjected to a surfeit of forensic analysis since the stock market crash of 1987.

Yet none of this provides a wholly convincing explanation of the paradox whereby an unusual measure of economic stability is now combined with increasing instability in the financial structure. So how can it be rationalised?

The starting point is simple enough: a huge political factor has been built into market assumptions since the turn of the year. Markets dislike political uncertainty at the best of times, because it cannot be quantified.

In the present instance the problem is magnified because it focuses directly on the world's two biggest capital exporters, Japan and West Germany. Next month's election in Japan is undoubtedly causing unease among the people who manage the world's biggest pool of savings. More problematic, in the longer run, is the turn of events in Eastern Europe, where investors are worried about the political shelf-life of President Gorbachev and the impact of any change in the pattern of West German capital outflows.

The more complex part of the explanation lies in the nature of the present business cycle. For instability in the markets has, in truly paradoxical fashion, been exacerbated by the monetary authorities' response to the crash of '87.

In any normal business cycle there is a tendency for financial excesses to multiply over time and for banks to become more tolerant of speculative deficit financing, whereby borrowers and lenders assume that shortfalls of income against interest will be made good either by refinancing, or through the profitable sale of the asset being financed. The process, which has been well described by Professor Hyman Minsky of Washington University in St Louis, leads initially to higher asset prices and increased investment, which in turn convinces bankers and businessmen that balance sheet adventuring is justified.

When the speculative bubble finally bursts, debt deflation of the kind that followed the 1929 Crash is avoided by the exercise of lender of last resort powers by central banks. But borrowers and lenders become more cautious as the central bankers seek to limit moral hazard – the incentive to imprudent risk-taking provided by bale-outs – by ensuring that while depositors are protected, bank management and shareholders respectively lose jobs and money.

That provides a serviceable general explanation of financial stress in a business cycle that has spawned junk bonds, buy-outs and a large cast of enthusiastic borrowers ranging from Sir James Goldsmith to Alan Bond, all wheeling and dealing in an increasingly frenetic financial playground. But there are several unusual features, the most important being the powerful generalised monetary boost to the world economy that followed the stock market crash, thereby perpetuating an already lengthy economic upturn.

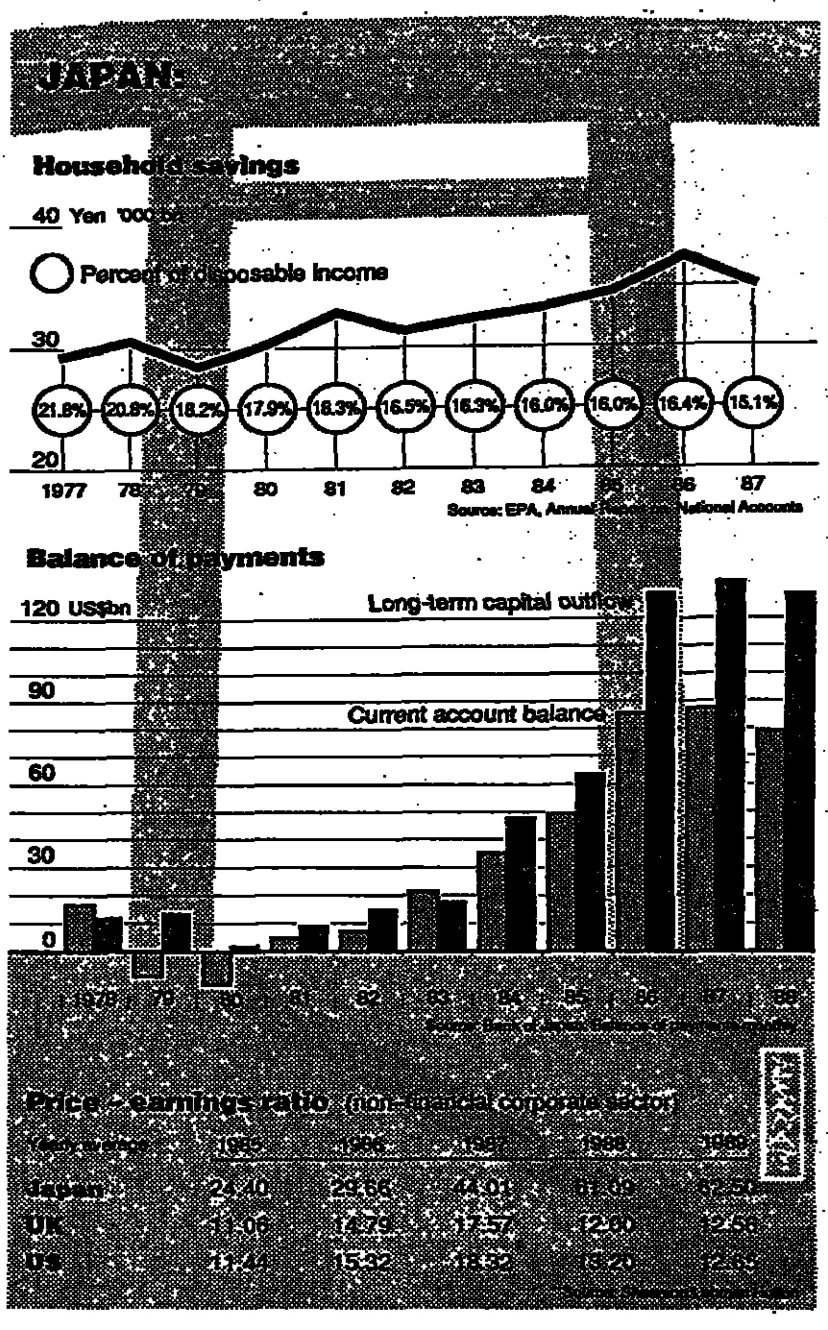
Monetary pump priming on this scale quickly diluted the financial discipline imposed on wayward entrepreneurs and bankers by the share price plunge. Prices of companies in the takeover market were anyway scarcely affected by the Crash since acquisitive businessmen were more impressed by the buoyancy of the real economy than the gyrations of portfolio investments, and bankers remained anxious to lend. Leveraged deals thus multiplied in number and size, and the Wall Street investment bankers' sudden urge to put their limited capital at risk in bridging finance for highly leveraged deals – euphemistically known as merchant banking – went unchecked.

Hence the humbling of leading US investment bank First Boston, which became over-exposed in junk bond financing deals for its own clients, including Ohio Mattress and Campeau Corporation. This might have spelt corporate death were it not for strong parentage, in the shape of Credit Suisse. And it has left First Boston's former chief executive officer William Mayer with a new role as a glorified loan work-out officer in a hived-off company that will look after bridge loans to 30 or so clients. A similar fate probably awaits others.

Another unusual feature lies in the way that the liberalisation of exchange markets in the 1980s has permitted the development of huge savings imbalances, with trade surplus countries like Japan and West Germany recycling capital to the Anglo-Saxon economies with large trade deficits. The resulting financial interdependence, especially at a time when dollar hegemony is waning, makes for instability; and in the second half of the 1980s the stabilisation of currency markets became an important objective of Japanese economic and foreign policy. The Japanese Ministry of Finance also used its powers of moral suasion in a cartelised financial system to become a proxy lender of last resort to world equity markets, notably in October 1989 when a repeat of the 1987 Crash looked imminent.

But there has been a monetary cost, as well as a new international dimension to the problem of moral hazard. Just as US support for sterling in the late 1920s contributed to the lax monetary policy and asset price inflation that led to the 1929 Crash, Japanese support for the dollar excacerbated the bubble in the Tokyo land and share prices. The chief reason why the value of the Tokyo stock market has overtaken Wall Street is that a bottled up Japanese savings surplus, which remains huge in absolute terms even though declining as a percentage of disposable income, has been bidding up the multiple that the Tokyo market applies to corporate earnings.

If the ability of deficit countries to sell debt claims to the Germans is reduced, the implication for interest rates in the Anglo-Saxon economies is painful



Yearly average	1985	1986	1987	1988	1989
Japan	24.40	29.66	44.01	61.09	62.50
UK	11.06	14.79	17.57	12.00	12.56
US	11.44	15.32	18.32	13.20	12.65

Japanese investors have responded to poor domestic returns partly by diversifying into higher yielding foreign securities while corporations have been investing directly in foreign companies and plant. And for some time (see chart) that outflow has exceeded the current account surplus, so contributing to a weaker yen which in turn worsens inflationary pressure in the domestic economy.

Here lies much of the explanation for the worldwide weakness of bond prices, which have been exerting a downward pull on equities. Investors have concluded that there is no escape from a further tightening of monetary policy in Japan; and as long as the capital outflow exceeds a trade surplus that has been declining faster than most people dared to expect, yen weakness could prove a continuing problem. That fear has coincided with worries about fiscal policy in the world's other major creditor country, West Germany, where the changes in the East pose an equally daunting fiscal challenge in terms of infrastructure and welfare outlays. If the ability of deficit countries to sell debt claims to the Germans is reduced, the implication for interest rates in the Anglo-Saxon economies is painful.

Adding to the worry is the fact that the Japanese authorities appear to be finding it harder to stabilise the markets. That is partly a by-product of the progressive liberalisation of a hitherto tightly controlled financial system. But as David Hale of Kemper Financial Services has pointed out, controlling nominal exchange rates through fine tuning interest rate differentials was much easier when the movement of funds was largely confined to debt markets. Since 1987 the composition of the outflow has shifted towards equity-oriented investments. And the fact that the destination is dictated as much by the openness of other countries' markets as by wider macro-economic considerations prompts Hale to ask a question that must intrigue the British Treasury. In exporting its asset price inflation around the world, does Japan encourage a bias towards exchange rate appreciation and current account deficits in the Anglo-Saxon economies?

What emerges clearly from this is that the movement of equity and bond prices on London and Wall Street will, for the forseeable future, be disproportionately influenced by policy and events in West Germany and Japan. But how dangerous is such financial interdependence in terms of the stability of the banking system?

The Japanese, it is true, continue to preside over a financial bubble. And as returns in Tokyo equalise, over the long run, with those in the rest of the world there will inevitably be continuing scope for instability in currency, bond and equity markets. But on past form the Japanese seem unlikely to respond to ill-judged US prompting for over-rapid liberalisation, which might jeopardise their ability to manage the fall-out.

For the British, financial excess has been most conspicuous in the market for housing finance, where the problems are less financial than political. The build-up in commercial property lending is not without worrying features, but the leveraged bid and buy-out bandwaggon has rolled too modestly to pose a systemic threat.

As for Australia the banks appear to have excelled themselves in a newly deregulated climate at finding ever more slender balance sheets on which to advance money. That underlines the on-going potential problem for the system of the declining profitability of the commercial banks' core lending business. Desperation is leading to immoderate risk-taking – but not on a scale, in the present cycle, to pose a systemic threat. Fortunately for the Australians much of the more foolish lending was done by well-heeled foreign bankers.

The real conundrum lies in the US where the removal of $500bn of equity through takeovers and leveraged buy-outs in the second half of the 1980s has created an over-leveraged corporate sector and much poor quality financial paper. But a relatively high proportion of junk bonds is in the hands of well capitalised institutions such as insurance companies and pension funds. In the savings and loan system the risk has been socialised through deposit insurance. And so far the corporate victims of high leverage have been largely confined, as in Britain, to the retail area.

But if there is a real financial problem, here or anywhere else, *it is not the 1929 sequence of Crash followed by debt deflation*. The events of the late 1980s have demonstrated once again that central bankers know how to act as lenders of last resort to pre-empt a contraction in the banking system. Today's problem concerns the potential inflationary consequence of moral hazard, of repeated lender of last resort activity, when everyone knows that 1929 is avoidable and politicians are reluctant to re-regulate the system. That is the most dangerous legacy of the junk bond orgy. The more indebted the corporate sector, the greater the constraint on the Federal Reserve's ability to tighten monetary policy. Trouble in the junk market was long overdue.

OBSERVER

Man of two worlds

■ Chuck Clough gave his annual talk to fund managers at the London office of Merrill Lynch yesterday. It was technical and broadly optimistic. As a monetarist who studied under Milton Friedman, he relies heavily on what is called the "L" measure: broad liquidity.

He thinks that the Americans have licked inflation and that, although the Federal Reserve may shortly have to intervene to bail out a number of well-known US banks, that will be no bad thing. America has unwound its post-war position and, he says, the dollar is again becoming the world's hard currency.

Clough is Merrill Lynch's Chief Investment Strategist. His name is pronounced to rhyme with plough or, perhaps more appropriately, Dow, rather than with that of the English football manager.

Where Clough differs from the run of investment strategists, however, is that he is also an ordained deacon in the Catholic Church – a function that takes nearly half his time. As the Reverend Charles Clough, he attends regularly to the spiritual needs of the 2,000 members of Our Lady Help of Christians parish in West Concord, Massachusetts.

The office of ordained deacon was a product of Vatican II. There are around 170 of them in the Boston diocese alone and, according to Clough, they are also common in West Germany and Holland. They are allowed to perform all the services except consecration. Clough says that when he holds a mass, he has the sacrament pre-blessed by his parish priest, Father Curley.

Yet Father Curley needs his time off, and Clough is frequently around looking after weddings, baptisms and sermons. He is married with four children, but would not be allowed to marry again if his wife died or there were a separation. That is part of his vow of chastity.

The other two vows are poverty and obedience. The latter does not bother him, Clough says. As for poverty, he explains that it is not intended to be taken too literally. It means not doing anything ostentatious, like having a BMW, which Clough does not.

His answer to the obvious question is: "Wall Street is a centre of immense power and, with its control of vast capital flows, a potential for good. I see no conflict in a parish deacon working on Wall Street."

Was it Boris?

■ A new theory about the identity of the mysterious "Z" has emerged. It suggests that the popular view that Z is an anonymous critic of the Bush administration who wants to air his hard-line views on Mikhail Gorbachev is wrong; instead, the theory goes, the trail leads more obviously to the Soviet Union.

For there are also people in Moscow who believe that perestroika is doomed to fail and that the cause of failure is that Gorbachev is fatally straddling between full-scale democratic reform and the preservation of the Communist party.

In the original New York Times extract published in the New Year, Z wrote: "There can be no third way between Leninism and the free market, between Bolshevism and constitutional government." Now that is remarkably similar to an interview given to the Dutch media group, Elsevier, and printed in last Friday's Financial Times.

The interview was with Boris Yeltsin, the former Moscow Party boss who is among Gorbachev's fiercest critics. Yeltsin would have had no difficulty in making contact with American scholars who first placed the full article in the winter issue of Daedalus, the magazine of the American Academy of Arts and Sciences. He visited the US last year.

Speculation, of course. But it could be a nice example of Russian humour and logic: XYZ. George Kennan used the pseudonym "X" for the article that Z deliberately echoed. "Y" would have been a giveaway, so he chose "Z" in sequence.

"We'll have to run some tests, but it looks like mad cow disease, Mr Pringle."

Test cases

■ Attempts to confiscate the ill-gotten gains of people convicted of drug trafficking are likely to move up a gear soon, following a number of small test cases.

The Crown Prosecution Service has been using new powers under the Criminal Justice Act of 1988 to confiscate the assets of convicted people – though it has limited itself so far to tiny amounts to test the procedure.

Christopher Morris, in charge of insolvency at Touche Ross and best known for his work on Laker Airways, has been recently trudging around caravan homes and other demi-monde locations in pursuit of the assets of small-time drug-pushers. None of the three cases he has handled to date has topped £50,000.

Much bigger confiscations are likely to follow soon, following the success of the cases. The CPS has taken on two extra people to handle the work. It has limited itself so far to drug-related convictions, but will extend this to the confiscation of other ill-gotten gains in future.

Polish honour

■ A singular honour for John Coleman, a partner at the chartered accountants, Moore Stephens. He has been awarded Poland's Silver Decoration of Merit for his work in auditing the accounts of the Polish Steamship Agency, a freight operation that operates mainly between Poland and the UK.

Coleman has been doing the auditing for 12 years now. Moore Stephens's links with Poland, however, go back much further. At the outbreak of the Second World War, the firm was instructed to look after all Polish shipping interests outside the country.

The contacts have continued ever since. Moore Stephens established the only chartered accountants office in Warsaw early last year. The business is going even better than expected, Coleman says. He himself has been to Poland only once. "The Poles prefer to come here," he adds. The honour was conferred in London.

The Polish Steamship Agency is registered in London, but owned by Polish firms. It could be a candidate for privatisation.

Specialised

■ One of the books listed in the current catalogue of a New York book dealer is described as "Rare work on burrowing animals (2 voles)."

Antony Thorncroft explains the controversy over the possible export of the V&A's Canova statue

The search for a saving grace

The Victoria & Albert Museum might seem an unlikely knight errant as it sets out this week to spearhead the drive to raise the £7.6m. needed by March 12 to retain for the nation Canova's romantic marble sculpture of the Three Graces, which has caught the eye, and opened the cheque book, of the richly endowed Getty Museum of Malibu, California.

Now on view at the V&A, the Three Graces has rallied the British heritage establishment in greater numbers, and with greater enthusiasm, than any campaign since 1962, when the financially strapped Royal Academy threatened to sell Leonardo's cartoon of the Virgin and Child abroad.

"It would be a tragedy if it were to leave the country," says Lord Norwich. "It is a great masterpiece and a supremely beautiful part of our heritage in sculpture" affirms Professor Michael Jaffe, director of the Fitzwilliam Museum at Cambridge. "It is one of the last masterpieces of contemporary Italian art to be bought by an Englishman," adds Professor Francis Haskell of Oxford University.

The Canova is undoubtedly the most important national treasure threatened with export in the past decade. It was commissioned from the artist in 1814 by the Duke of Bedford who, while visiting Canova's studio in Rome, saw him at work on another version, destined for the Empress Josephine, and now in Leningrad. He wanted his own example and Canova, regarded as the greatest sculptor of his age, the equal of Michelangelo and Bernini, carved a refined, beautifully proportioned, neo-classical statue. The Duke was so impressed that he built a special temple to house it, the undoubted centrepiece of his sculpture gallery at Woburn Abbey.

When, over a century and a half later, his descendants found the cost of running Woburn a financial burden, they tried, in 1982, to raise money by selling the Three Graces to the V&A for £1m. The price was beyond the museum's resources. Its annual purchasing grant then was less than £1m. In 1989-90 the grant is just £1.45m, and has already been exhausted. The V&A is unable to make a contribution to its own appeal. It is relying on heritage bodies, rich patrons, the public and the Government to respond. If the appeal can strike the popular nerve there is a chance that the Government will save the day.

It has happened before. When Prime Minister Harold Macmillan saw the collecting boxes in the National Gallery filling up with small offerings as it strove to acquire the Leonardo cartoon he approved the clinching contribution. Chancellor Nigel Lawson produced £25m in the 1984 Budget to safeguard the future of three threatened stately homes, Weston Park, Nostell Priory and Kedelston.

It may well need a similar burst of generosity to save the Canova, for the established safeguards of the UK's national heritage are very weak. They are mainly built around the patriotism of owners, the energy of voluntary organisations, and luck. To date this makeshift alliance has prevented a steady seepage of important works of art abroad.

While Italy bans the export of virtually all antiques; France gives its museums first refusal on any major work which might leave the country; and West Germany has a list of important treasures which can never depart, the UK has just the Reviewing Committee on the Export of Works of Art. The committee can only delay – for up to six months – the export of even the most important items. Within that period a national, or local, museum has the opportunity to launch an appeal and match the agreed price of the object.

It is often a daunting task. The annual purchasing grants of all the leading national museums and galleries total £13m and have been frozen for the last five years. Meanwhile, the prices of works of art at auction have spiralled – more than one painting has now sold at auction for over £30m. To make things harder for British institutions the sum to be raised is not the sum that the potential exporter paid at auction. He can add on his profit. So when an attempt was made in 1987 to keep in the UK a Turner sketchbook its price was not the £528,000 that a dealer had paid for it at Sotheby's but the £1.05m which the American collector Paul Mellon had agreed to pay him. In addition, there is no legal requirement for the exporter to hand over the work of art if the asking price is matched. He can just withdraw it from the market and apply for another export licence at a later date.

In 1988-89 the Reviewing Committee considered 26 works of art of national importance that were about to be sold abroad. It deferred an export licence on 15 of them. Seven were subsequently saved for the nation.

The campaign to save the Three Graces has been slow to get going, partly because the sum involved is so great, but mainly because it was hoped that the local council which contains Woburn, Mid-Bedfordshire, could be persuaded that the Three Graces was part of the structure of the house and consequently could not legally be removed. But Mid-Bedfordshire, perhaps under pressure from the Treasury, did not want to explore a loophole which, if successful, would provide a useful test case for the heritage lobby and hinder the free movement of works of art.

Now the great and the good are sliding into action. The National Art-Collections Fund, a voluntary organisation dependent on members contributions, has put up £250,000, insignificant against the target but a start. Much depends now on the attitude of the National Heritage Fund, which, with the Review Committee, is the only other official safeguard.

The Fund receives a derisory £3m a year grant from the Government with which it must protect and preserve the entire heritage, from areas of natural beauty, through works of art, to such curiosities as the first factories of the Industrial Revolution.

It is waiting to hear about its future funding from Mr Richard Luce, Minister for the Arts. If he were exceptionally generous the Fund might make an equally generous contribution to the Canova appeal. At the moment this looks unlikely. The Government believes that the free flow of antiques into and out of the UK, has established London's dominance as an international art market and ensured the leading global role for Sotheby's and Christie's. The Government has not actually made a special grant to any appeal for 11 years: in 1979 it put up £92,000 to keep some antique pistols in the Royal Armouries.

Other avenues must be explored. The public will doubtless do its bit, but 50 pence and pound coins can never amount to more than a few hundred thousand. There is a chance that the Getty Museum might decide not to acquire the Three Graces. With an annual revenue in excess of $100m a year it is easily the best endowed museum in the world but it has gone out of its way not to antagonise the heritage movements in European nations. The Getty Museum is also well aware that the Three Graces would enhance its new museum under construction and that it is cheap at the price.

Although there have been successful appeals in the past four years which have saved works for the nation – the Chesterfield silver wine coolers earlier this month; Constable's painting of The Opening of Waterloo Bridge in 1987; and a Bernini bust in 1986 – the immediate prospects, for the Three Graces do not look bright. If the sculpture does go to the Getty the museum at least will have put the spotlight on the flimsiness of our export restrictions and the inadequacy of the British Government's museum purchasing grants at a time of rocketing art prices. To the vociferous heritage lobby these will seem like minor gains.

Merger policy

Lessons for the EC from the US experience

By F.M. Scherer

As Europe moves towards 1992, among other things adopting a Community-wide mergers and takeovers policy, it is useful to recall the American experience a century earlier.

Although joined politically, the United States did not become a truly common market until the railway networks were largely completed and communications were improved, first with the telegraph and then the telephone. At the same time, organisational innovations made it possible to manage geographically dispersed operations with tolerable efficiency. One consequence was a merger wave, peaking between 1901 and 1903, that consolidated 15 per cent of all manufacturing sector plants into several dozen market-dominating enterprises.

Merger activity has accelerated in Europe, and more intensive efforts to create trans-European enterprises can be expected. This is natural and, special cases excepted, need not jeopardise the vigour of competition. On average, the concentration of output in the hands of leading sellers is lower for most industries spanning the Common Market as a whole than it was in the United States of 1903 or today.

The US record cautions, however, that desirable economic consequences will not flow automatically from large-scale industrial restructuring through merger. In a 1935 article analysing the histories of 159 companies that owed their creation to mergers consummated between 1888 and 1905, economist Shaw Livermore found that 32.6 per cent were early failures, 6.1 per cent were later failures, 10.9 per cent could only be characterised as "limping", 6.4 per cent were successes after rejuvenation, 35.9 per cent were "clear" successes, and 6.4 per cent were "outstanding" successes. Fewer than half of the successes survive today in recognisable form.

Some of the most prominent early mergers were attacked under the new US antitrust laws. It is striking that when structural break-up was ordered, for example, for Standard Oil, American Tobacco, Du Pont, and Eastman Kodak, the principal remnants survive even today as strong competitors, whereas the leading companies escaping anti-trust reorganisation – for example United States Steel Corporation, American Can, and International Harvester – proved unfit for competitive struggles of the 1970s and 1980s and have atrophied, disappeared, or abandoned their traditional lines of endeavor.

It is significant too that in the US brewing industry the companies that expanded through merger (Pabst-Falstaff-General, Heileman, and Stroh) are now plagued by poor consumer acceptance of acquired brands and high costs in acquired plants. Conversely, Anheuser-Busch and Miller, which grew almost entirely by cultivating their own brands and building new plants, now enjoy overwhelming competitive dominance. Passing the test of the product marketplace is a far better omen for long-run survival than passing a merger market test.

Nevertheless, some mergers do facilitate strengthened research and development, more efficient production or more potent marketing. But past experience in the United States and the mediocre record of mergers brokered by Britain's Industrial Reorganisation Corporation warn that success is more the exception than the rule.

This in turn advises a sceptical stance toward efficiency claims in merger reviews by the European Community and national competition policy authorities. Would-be merger partners which assert that enhanced competitiveness will follow from amalgamation should be compelled to carry a substantial burden of proof.

Potential efficiencies are one side of a sensible policy trade-off toward mergers. The other is the merger's likely effect on the vigour of competition. Here too, care is warranted. Definition of the relevant product and geographical market is crucial to determining competitive impact. In a pioneering EC merger case, the product market was defined as metal containers. In parallel US merger cases, the product market was defined as metal containers plus glass bottles in 1964 and metal containers, bottles, and plastic containers (in 1988). Too narrow a market definition can stop mergers posing little threat to vigorous competition; too broad a definition may allow competition-impeding mergers to pass through the screen. In implementing its newly-approved merger control regulation, the EC must formulate market definition procedures with a solid economic rationale.

Whether this happens quickly or slowly depends in part upon how assiduously the Community studies the US merger enforcement experience and avoids its errors. During the first two decades after the US merger law was strengthened in 1950 the responsible authorities' approach to market definition was so unsystematic. By 1974, changes in Supreme court membership and anti-trust agency staffing turned the tide towards a more analytical approach, leading to the publication of revised market definition guidelines in 1982 and 1984.

If Europe learns from this history, it can move to economically sound market definition criteria. If it fails to do so, considerable wheel-spinning is likely to ensue before the loser in some disputed merger case carries its appeal to the Court of Justice and wins a victory that forces the EC authorities to rationalise their efforts.

Clearly articulated market definition and efficiency standards could have an important fringe benefit. Vague criteria leave bureaucrats in Brussels considerable discretion to impose personal preferences; sharply articulated criteria limit that discretion.

In America, the Madisonian-Jeffersonian tradition places substantial weight on limiting the arbitrary exercise of governmental power. In Europe, such power has been tolerated more readily. However, the implementation of a new European Community merger policy permits a fresh choice on whether business affairs are to be governed by a rule of law or a rule of men.

The author is Professor of Business and Government at the John F. Kennedy School of Government, Harvard University.

LETTERS

Opening air routes to new entrants

From Mr P.B. Seabright.

Sir, Mr A.J. Lucking is right to point out (Letters, January 20) the risk that British Airways will use its market power to seek to raise fares in a liberalised air transport market. But ditching the European Community's double disapproval proposals would be the worst possible response.

Government regulation of fares in Europe has prevented airlines from making excessive profits, but has done little to make them control costs, which significantly exceed what US experience suggests to be realistically possible. Indeed cost inflation is a natural response by carriers whose profitability is regulated but who face no genuine competition.

It is only by opening the market to new entrants that airline costs, and thereby fares, can be brought down. The way to do this is not to resist double disapproval but to supplement it. Access to slots at congested airports needs to be made genuinely open to new entrants, with an auction system instead of the present allocation by committees dominated by incumbent carriers.

And the various forms of anti-competitive action by large airlines, including the mergers and restrictive agreements for which there is at present such enthusiasm, need to be policed as rigorously as is practicable.

P.B. Seabright,
Churchill College,
Cambridge

Figuring at Rover Group

From Professor David Harvey, Ms Teresa Hayter and Mr Erik Swyngedouw.

Sir, We welcome your publication ("Rover job losses of 7,500 feared," January 8) of our estimates of the numbers employed by the Rover Group on the activities which the company says would remain at Cowley after its partial closure. These estimates led us to state in our report, Cowley Works, that about 7,500 Cowley jobs would be lost between the announcement of South works closure in August 1988 and the ending of Maestro/Montego production, if closure took place.

However, we await any detailed justification by the company for its own figure, reported in most national newspapers, that job losses would be only 2,500.

There is another way of looking at potential job losses at Cowley. According to Rover Group 's published statistics, 10,000 people were employed at Cowley in 1988. They produced the Rover 800, the Maestro and the Montego. The Rover 800, which the company says will continue to be produced at Cowley, accounted for about a quarter of the cars produced. On the company's figures, therefore, three quarters of the workforce would be employed to produce one quarter of the cars (plus some small-scale subsidiary activities).

How do they explain this? Do they anticipate large drops in productivity? If their figures are wrong, why did they publish them?

David Harvey, Teresa Hayter and Erik Swyngedouw,
Oxford Motor Industry Research Project,
St Peter's College, Oxford

Fair to Scots

From Mr Colin Fergus.

Sir, I agree with your editorial comment on the need for upgrading the education system in Britain ("The education decade," January 15), but it would be fairer to exclude Scotland. Scotland has very much the kind of diversity you speak of and a much better record in providing technical education to a wider section of the population than England or Wales.

Colin Fergus,
Fergus Incorporated,
The Empire State Building,
350 Fifth Avenue, Suite 5810,
New York

Stopping the inflationary rot

From Mr G.M. Armitage.

Sir, The most troublesome aspect of the UK's inflationary position is perhaps the seemingly general acquiescence in the acceleration of inflation combined with a lack of leadership to get things on the right rails.

Parliament has been happy to accept for itself a pay increase well above the retail price index change and senior civil servants have not done too badly, so there is no lead from those quarters.

Boardrooms have hardly been setting a helpful example and it is no wonder the unions have been thundering on their heels towards the same precipice. The Government, despite the rhetoric, has done nothing to help matters by allowing sterling to fall and thus provide industry with elbow room for inflationary settlements.

Inflation is now virtually at a runaway point. Sterling's long-term slide is expected to continue despite the fall in reserves caused by propping up the pound, and industry only seems able to compete on the back of ever-deflating sterling.

Pay and price increases have to be below the RPI change, not above it to reduce the inflation rate. The concept that it is all right so long as an increase is just above the RPI is rubbish.

If the only way to stop the rot is a shock in the form of a severe spell of recession and higher unemployment, so be it, as the potential consequences of our present path are much worse.

G.M. Armitage,
Haymore, 99 Overstrand Road,
Cromer, Norfolk

No to new tax

From Mrs Ann Maguire.

Sir, Ms Mary Campbell suggests (Letters, January 18) that a second homes tax could pay for a rise in child benefit. But why should people without children, who have chosen to spend their hard-earned money on a second home, be expected to subsidise others' children.

Ann M. Maguire,
83 Southview Road,
Southwick, West Sussex

A grammatical observation

From Mr Wolf Luetkens.

Sir, Observer (January 23) is bold in attributing logic to the grammar of any language, particularly English.

His attack on the double genitive, I suggest, is an error of his, not of he.

Wolf Luetkens,
45 Ridgway Place, SW19

UPI, NSK and the dwindling reserves of family silver

From Mr Ivor Owen.

Sir, Nick Garnett and Geoffrey Owen wonder ("Japanese play a mean pin-ball," January 18) how those who struggled during the 1970s to make RHP internationally competitive feel now that it has, in its new name of UPI, been sold to NSK.

For my part, it is a feeling of frustration and sadness. I joined RHP in 1970 shortly after it was created and I was there for 10 years. I resigned as managing director of RHP Bearings in 1981 to take up another post in industry.

It is ironic now to think that the intention of the then Labour Government was to create a strong British bearing industry and to stop the major part falling into the hands of the Swedes.

We set out to create a modern, broad range bearing company which could compete internationally. I believe we generally succeeded in this despite a large loss of volume caused by the decline of the UK automotive and machine tool industries, fierce Japanese competition and massive dumping in this country and throughout Europe. We protested vigorously to try to stop public money being given to NSK to build a factory in Peterlee and warned the Government that it would result in one of ours being closed.

Following a buy-in, we see what has become a frequent pattern of managers in charge of a business for a brief period becoming rich men through the process of transferring that business to foreign hands.

I am a strong supporter of inward investment and indeed admire most things Japanese. I can understand the management of UPI directing the company in the way it has. The bearing industry is a hard one to make decent profits in and I know that NSK will be good for UPI. Nevertheless, it makes me sad to see so much of British industry ending up in foreign hands and therefore ultimately outside this country's control. What will happen to our children when all the family silver has been sold?

Ivor Owen,
Chelsea, SW3

FINANCIAL TIMES
Wednesday January 24 1990

UK gives warning of tough budget

By Philip Stephens and Peter Norman in London

ANY remaining prospect of income tax cuts in the forthcoming UK budget appeared to vanish yesterday as Mr John Major, the Chancellor, delivered his sternest warning yet that he was not prepared to cut interest rates nor to relax his fiscal policy.

Confirming that his first Budget will be on March 20, Mr Major acknowledged that the Government's budget surplus in the current financial year now looks unlikely to reach the £12.5bn ($20.6bn) he forecast last November.

His speech, in a parliamentary debate on the Autumn Statement, was interpreted in the City as a signal that the financial markets should brace themselves for a very tough Budget.

It was also seen at Westminster as a determined attempt to dispel once and for all any suggestion that there might be scope for an early relaxation of the Government's present anti-inflation stance.

The unusually sombre tone of his remarks followed publication of official figures showing that industry now faces the twin problems of rising costs and slowing output growth. Mr Major, whose speech brought little cheer to the Government's supporters in the House of Commons, insisted that before policy could be eased: "We need inflation to turn decisively down and be confident that it will stay down."

In what appeared to be an admission of Government failure, the Chancellor added: "We have still not yet exorcised the inflationary psychology of our economy, which was the curse of the 1970s and is lurking again on the sidelines."

That will be seen as a clear warning to employers that they cannot expect him to "bail out" high pay awards by cutting interest rates or encouraging a fall in sterling.

The sombre message was further underlined by a warning to his Cabinet colleagues that they could not expect any relaxation of controls on public spending.

Mr Major said: "There can be no question whatsoever of an early relaxation of policy. Interest rates will stay high for some time to come."

To reinforce the point, he added that he wished to state in as "clear terms as I can" that: "I look forward to the day when interest rates can come down, but I do not see that day as being imminent, and I do not think it would be wise for anyone to act in the belief that it will be."

He eschewed any direct reference to the prospects of tax cuts on March 20, but both the tone and content of his speech were seen as clear evidence that the latest economic indicators meant any scope that had remained had evaporated.

One senior Whitehall insider commented last night: "He could not say it directly, but the implication could not have been clearer – he cannot make any significant tax cuts."

Mr Major did attempt to lighten the gloom, however, by insisting that once the Government had brought inflation under control, industry could look forward from a year of depressed demand to the "tremendous opportunities which beckon in the 1990s."

He added: "There should be no doubt. We will bring the economy back on track as a preparation for prosperity in a decade of promise."

A harder side to the soft landing, Page 16; UK markets, Page 31.

Australia eases tight monetary policy

By Chris Sherwell in Sydney

KEY bank lending rates fell and the Australian dollar weakened yesterday after the Labor Government ordered a long-awaited easing of its restrictive monetary policy and triggered fresh speculation about an election.

The move, announced simultaneously by Mr Paul Keating, the federal Treasurer, and Mr Bernie Fraser, Governor of the Reserve Bank, follows a sustained period of record interest rates which has squeezed home-buyers and suffocated businesses.

The aim of that policy – to curb domestic demand and rein in an exploding current account deficit – has been pursued since 1988 at an increasing cost to Labor's popularity among voters.

With an election due by May and Labor seeking a record fourth term, analysts regarded a reversal as inevitable. But the opposition Liberal and National party coalition yesterday questioned its timing, arguing that it increased the risk of an exchange rate crisis.

The Bank said that following a special board meeting and consultations with Mr Keating, it had operated in the domestic money market yesterday morning to bring about a "modest reduction" in interest rates.

On credit markets, the 90-day bill rate finished at 16.95 per cent, down from 17.63 per cent on Monday and the lowest in 11 months, while the 10-year bond yield finished at 12.77 per cent, down from 12.96 per cent.

The biggest four commercial banks promptly reviewed their key lending rates and Westpac and the Commonwealth banks both announced a 0.5 point drop in the rate charged on overdrafts to 20 per cent. Politically sensitive home mortgage rates stand at a record 17 per cent and will take longer to fall.

On the foreign exchanges the Australian dollar lost more than 1 cent against the US dollar to close at 78.25 cents, down from 79.55 cents at the start of the day. On a trade-weighted basis it finished at 60.6 (May 1970=100), down from 61.5 the previous day.

The currency remained under pressure after the Sydney market closed. In New York, the Federal Reserve stepped in to buy the Australian dollar at 77.4 US cents and it subsequently traded slightly above this level.

The share market rebounded: the All Ordinaries index closed at 1,664.8, down 7.5 points, having dipped earlier to 1,648 following Wall Street's sharp fall on Monday.

Economists said yesterday they had not expected an easing of monetary policy before next week's monthly balance of payments and inflation figures. The Government has previously insisted it would not act until it saw "unambiguous evidence" of slowing demand.

Government bonds, Page 24

Hong Kong legislator Lydia Dunn (above) speaking in London yesterday after leading a delegation in talks with British Prime Minister Margaret Thatcher, and three politicians in the British colony burning copies of blueprint laws under which China proposes to govern the territory. UK government sources said after yesterday's talks that Britain would make known its detailed plans "in weeks rather than months." Meanwhile, while no final decisions had been taken, there were also no specific pledges. **Full report, Page 11**

Canada paves way for deal on repatriation of boat people

By William Dullforce in Geneva

CANADA yesterday opened the way for a compromise between the US and Britain over the forced repatriation of tens of thousands of Vietnamese boat people from Hong Kong.

At a meeting of the international steering committee on Indo-Chinese refugees, the US earlier yesterday called for a halt to forcible repatriation until the end of the year. The Canadians then proposed that the moratorium apply only to the 56,000 boat people already held in overcrowded detention camps in Hong Kong.

New arrivals would be subjected to a speeded-up screening process, lasting some six weeks, after which those that had failed to qualify as "political" refugees would be immediately returned to Vietnam.

The steering committee, in which 29 nations are participating, set up a 12-nation working group to seek agreement on how to handle the increasingly urgent situation. The US indicated that it would not block a consensus in the committee but would enter a reservation reaffirming its opposition in principle to forced repatriation.

The Canadian proposal could meet the UK's objection to the US demand for a moratorium – that it would not avert the threat of another massive influx of Vietnamese refugees when the sailing season opens in March. Diplomats believe several thousand Vietnamese boat people will head for Hong Kong when the sailing season resumes.

Hong Kong has already prepared a plan for a quick "turnaround" of Vietnamese deemed to be economic migrants rather than political refugees, which it has been seeking to negotiate with the Government in Hanoi.

Vietnam said yesterday that it was not opposed to repatriation but preferred to negotiate the return of its citizens bilaterally with the countries to which they had fled.

Thailand, which holds some 11,000 Vietnamese boat people, suggested that forcible repatriation should be postponed for six months rather than a year.

Several problems remain to be overcome by the working group, even if the Canadian proposal is adopted as a working basis.

These include funding for the plan of action for Indo-Chinese refugees agreed in June; the priority to be accorded to voluntary repatriation; improvements to the screening process in Hong Kong; the enlargement of Vietnam's capacity to receive voluntary returnees; and treatment of escapees rescued at sea.

The US continued to insist that no mandatory repatriation should take place unless the United Nations High Commissioner for Refugees (UNHCR) was allowed to monitor effectively the well-being of those returned to Vietnam.

The UN agency has been reluctant to undertake such a role. However, Mr Thorvald Stoltenberg, the new High Commissioner, might be willing to become involved if an international consensus emerges from the scheduled two-day meeting of the steering committee.

Constitution details, Page 11

Gorbachev faces split in leadership

Continued from Page 1

turn against any Russian-speaking residents.

The official death toll has risen to 93, including 75 civilians and 18 members of the security forces, according to Radio Moscow and Azerbaijani Ministries.

Nationalist sources claim the true death toll is more than 1,000.

At the same time the Azerbaijani captains of a reported 50 oil and gas carriers of the Caspian fleet have threatened to blow up their ships if the troops are not withdrawn.

With Baku paralysed by a general strike, and illegal protests continuing outside Communist Party headquarters and government buildings, the Azerbaijani Supreme Soviet, or parliament, has set a deadline of this morning for the ending of the emergency and withdrawal of troops.

On the Soviet side, there is no indication of any readiness to meet that demand.

● The US yesterday urged the Soviet Union to open a dialogue with the people of Azerbaijan which would take account of their national views and political will, Reuter reports from Washington.

The statement by the State Department said: "We hope that as soon as possible it will be possible for all parties to begin a dialogue that will take into account the nation views and political will of the Azerbaijani people."

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	Dallas †	F	12	54	Madeira	S	17	63	Prague	S	7	45
Algiers	F	15	59	Dublin	F	6	43	Madrid	S	5	41	Reykjavik	C	-1	30
Amsterdam	R	10	50	Dubrovnik	S	15	59	Majorca	S	15	59	Rhodes	S	12	54
Athens	F	12	54	Edinburgh	F	5	41	Malaga	S	15	59	Rio de Janeiro		–	–
Bahrain	F	17	63	Faro	S	15	59	Malta	F	15	59	Rome	S	14	57
Barcelona	S	12	54	Florence	S	11	52	Manchester	F	8	46	Salzburg	S	9	48
Belfast	F	5	41	Frankfurt	F	7	45	Melbourne	S	33	91	S'Francisco †	S	5	41
Belgrade	S	10	50	Geneva	S	5	41	Mexico City		–	–	Santiago		–	–
Berlin	F	9	48	Gibraltar	S	16	61	Miami †	R	20	68	Seoul	S	-8	18
Biarritz	S	14	57	Glasgow	F	5	41	Milan	S	7	45	Singapore	F	30	86
Birmingham	F	8	46	Guernsey	Dr	11	52	Montreal †	Sn	-3	27	Stockholm	C	3	37
Blackpool	F	7	45	Helsinki	C	1	34	Moscow	F	-13	9	Strasbourg	S	5	41
Bombay	S	33	91	Hong Kong	C	13	55	Munich	S	3	37	Sydney	F	23	73
Bordeaux	C	10	50	Innsbruck	S	6	43	Nairobi	R	24	75	Tangier	F	15	59
Boulogne	R	10	50	Inverness	F	4	39	Naples	S	12	54	Tel Aviv	R	13	55
Bristol	C	9	48	Isle of Man	F	6	43	Nassau		–	–	Tenerife	F	19	66
Brussels	R	9	48	Istanbul	C	4	39	Newcastle	R	5	41	Tokyo	Sn	2	36
Buenos Aires		–	–	Jersey	Dr	11	52	New Delhi	S	19	66	Toronto †	S	-5	23
Budapest	Fg	2	36	Johannesburg	F	24	75	New York †	S	4	39	Tunis	R	12	54
Cairo	S	17	63	Las Palmas	C	18	64	Nice	S	15	59	Valencia	S	12	54
Cape Town	S	22	72	Leeds	F	8	46	Nicosia	S	14	57	Venice	S	4	39
Cardiff	R	10	50	Lisbon	Fg	13	55	Oporto	R	13	55	Vienna	S	7	45
Chicago †	F	0	32	Locarno	S	8	46	Oslo	R	6	43	Warsaw	C	6	43
Cologne	C	10	50	London	R	10	50	Paris	R	9	48	Washington †	S	2	36

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.

† Noon GMT temperatures

Ferranti to sell radar unit

Continued from Page 1

David Marsh adds: West German Defence Ministry officials last night declined comment on the news of GEC's takeover of Ferranti's avionics activities, although one expressed surprise at the latest development.

The move is seen in Bonn as helping to explain Britain's insistence on going ahead with a British led radar designed by Ferranti for at least part of the orders for the problem hit European fighter aircraft.

Daimler-Benz, which is now West Germany's main aerospace company, was briefly interested in taking over Ferranti last year.

Ferranti, however, quickly pulled out of the bidding in view of the challenge in turning round the trouble-torn company.

The GEC takeover is regarded by defence industry analysts here as extending concentration in the European arms and electronics sector, where Daimler's takeover of the Messerschmitt-Bölkow-Blohm aerospace group last year set a significant milestone.

UK officials investigate exports of equipment by Ferranti

By Richard Donkin in Washington and Charles Leadbeater in London

THE UK Customs and Excise has launched an investigation into Ferranti International's exports covered by the Department of Trade and Industry's controls on the shipment of sensitive military equipment.

The inquiry is being conducted by the 900-strong Customs and Excise investigation division, whose specialist officers are responsible for investigating large-scale frauds including illegal arms trades.

The investigation threatens to embroil Ferranti in further controversy, as it struggles to recover from the disclosure in September of an alleged £215m ($350m) fraud involving its ISC Technologies subsidiary.

A team of customs investigators visited Ferranti's offices last month and spent several days trawling through the company's records. The team checked export licences, invoices, shipping details and customer correspondence.

Ferranti said yesterday it was confident the inquiry had concluded after giving the company a clean bill of health. It said none of its exports had breached DTI regulations.

Officials say the investigation is continuing. It is examining whether any goods approved for export to friendly countries have been passed on to an end-user in another country; and whether descriptions of exports have been accurate.

The investigation is aimed at determining whether there were breaches of the licensing procedures enforced through the Export of Goods (Control) Order. This covers granting of export licences for military goods, atomic energy equipment and civilian products and technology considered to have potential military uses.

The controls are meant to prevent the export of sensitive military equipment to countries including the Soviet Union, China and South Africa. It also covers dual use technology, which could have civilian and military uses.

The investigation follows the launch of official inquiries into ISC Technologies. The Serious Fraud Office in the UK is co-ordinating its inquiries with Federal investigators in Philadelphia, Pennsylvania.

US customs officials are already investigating ISCT exports to see whether they were properly authorised and sent to their stated destinations. The UK inquiry includes ISC companies in the UK but extends more widely to other parts of the Ferranti group.

Companies seeking to export any item on the control list published by the DTI must apply for a licence from the department, regardless of the customer's nationality. The DTI then has to decide on whether to refer the application to the Ministry of Defence or the Foreign office.

It is understood the DTI has not been told of the investigation. The department would be informed if the investigations division decided to bring prosecutions, but it does not have to be told an investigation has been launched.

The list covers items which the Co-ordinating Committee on Multilateral Export Controls (Cocom) has agreed need special permission for export to the Soviet Union, its allies and China. It also covers equipment that can be used for developing ballistic missiles, under the Missile Technology Control Regime, an agreement grouping the UK and other major Western countries.

Other elements covered by the controls include armaments exports, which are banned to certain countries, currently including South Africa, Iran, China and Argentina. The list for munitions ranges from weapons such as bombs and missiles to specialised electronic and imaging equipment.

In making a licence application, the exporter has to state the end-user of the product and the use to which it is to be put. A further declaration may be required from the client as to the final destination of the goods, if required by one or other of the government departments.

The most complex part of the controls involves electronic components, which are often "dual use" with both civilian and military applications.

International Signal and Control, the US defence company acquired by Ferranti in 1987 and at the centre of the fraud inquiry, is reported to have previously dealt with South African companies.

THE LEX COLUMN

Ferranti pulls the ripcord

Astounding though the sale of Ferranti's radar business undoubtedly is, it has the unmistakeable sound of things clicking into place. In apparently guaranteeing the European Fighter contract, the UK Government risked underwriting the future of Ferranti as well. The transfer of the business to GEC now leaves the rest of Ferranti to its own devices. The deal also represents capitulation by the Ministry of Defence on the principle of maintaining a rival defence supplier to GEC, which has got its hands on the one bit of Ferranti it really wanted.

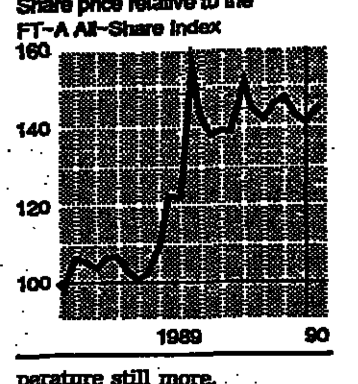
The deal will allow Ferranti's rights issue to be at least scaled down and with luck cancelled altogether. Taken with the planned sale of Marquardt, the £310m sale price should reduce Ferranti's debt almost to zero. Nor is an exit multiple of around 23 times to be sneezed at; the question is rather what the remainder is worth. The radar business contributed half last year's operating profit. But the rest has a turnover of £600m, and could be capable of £45m before tax in 1990/91, or between 4p and 5p on a normal tax charge. There is room for argument over whether yesterday's price of 33p puts those earnings on an appropriate multiple; but it is a welcome change for Ferranti to be valued on an earnings basis at all.

Meanwhile, Marconi has emerged as the monopoly supplier of radar and the dominant player in the UK defence industry. It seems rather hard that Ferranti had to be driven to the wall to allow the principle of national champions to be established. But it is wholly in character for Lord Weinstock to take such nimble advantage of it.

BAT

Hoylake's assault on BAT is reaching a point where it can no longer be taken seriously; and it is no surprise that its inability to cope with insurance regulators is the problem. Hoylake and Axa-Midi picked a lousy moment to ask the US insurance commissioners to stick their necks out. A highly-leveraged takeover of Farmers could never have gone through quickly; and the 9 states looking at this deal hardly want to add Farmers to the 109 US insurers which have gone bust since 1981. Recent events - such as Integrated Resources, the junk-bond financed US life insurer which defaulted on $955m of debt last summer - have raised the temperature still more.

BAT
Share price relative to the FT-A All-Share index



It is not necessarily Axa-Midi's financing that is the snag, given the potential for sales of industrial holdings by its parent Compagnie du Midi. Standard and Poor's has studied Axa's plans, and still graded Axa-Midi's claims-paying ability AA+. More likely, the obstacle is Hoylake, whose standing as even the most temporary owner for Farmers still looks suspect.

As for the UK regulators, the oddity is that the DTI was contemplating a press release about its doubts about Hoylake, an entirely unprecedented step. True, it is not inevitable that a highly-leveraged bid for Eagle Star would be vetoed. With shareholders' funds at 85 per cent of non-life premiums, it would take a lot of debt to drive it to the wall; and the the DTI's wide legal powers of intervention would safeguard Eagle Star's and Allied Dunbar's life funds. But whether it likes it or not, the DTI has given a very negative signal about Hoylake; and the total silence yesterday from Sir James Goldsmith makes one wonder just how much effort he is making to get BAT.

BSB

BSB's major shareholders obviously think they have a winner on their hands. Although they are not injecting any new money, the scale of their extra commitment is very substantial. If the weaker shareholders lose their nerve, the big ones will have to guarantee borrowings more than twice as large as their initial investment. The guarantees may be tucked away as contingent liabilities but the fact that the four major shareholders could end up with 90 per cent of BSB, is a measure of the very real risks in this £1.3bn project.

Similarly, the apparent willingness of the bankers to provide £450m of loans secured on nothing more than the cash flow of a business which has yet to prove its viability, is a remarkable act of faith. Whatever one thinks about the long-term potential of satellite TV in the UK – and it is hard not to believe that it is going to be a major growth business – this type of seedcorn project would be better financed by professional venture capitalists.

Admittedly, BSB's backers should know within a couple of years at most whether they are on to a winner. If all goes according to plan, BSB will have paid back all its loans and be sitting on over £400m of cash by 1996, by which time it would almost certainly have been floated on the stock market. If satellite TV turns out to be no different from any other fast-selling electronic consumer durable, then the scale of BSB's promotional spend will ensure its success. However, the biggest worry is that there are now two operators in a marketplace where there should not be more than one, and there could be considerable financial bloodshed before a winner emerges.

Acceptances

The real question about the Panel ruling on "conditional acceptances" is the motive of the institution that asked Lazards to offer them. The idea was for the acceptances to count only if they pushed Lovell's bid for Higgs & Hill over the 50 per cent level. But it is hard to see what financial advantage such an arrangement offers over conventional acceptances which will, after all, only be taken up if the bid is successful. Nor is there any greater guarantee of anonymity in such a deal.

Two less reputable motives spring to mind. One is the ability to tell the target company, with a straight face, that one has not accepted the bid despite having thrown in one's lot with the predator. This is a variation on a financial technique first developed by Judas and is hardly conducive to supportive company/shareholder relationships. The second possible motive is the existence of some business arrangement, between one of the companies and the institution, that prompted the latter to play both ends against the middle. Neither justification can have appealed to the Panel, which quite rightly rejected the concept. Takeovers are murky enough affairs already.

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INSIDE

Steel attempts to reforge its future

Slow and stumbling the process may be, but the world's steel industry is trying to reforge itself. A substantial number of joint ventures and outright takeovers is gradually reshaping parts of the industry's structure — last month's deal between Nippon Steel of Japan and Inland Steel of the US being the latest stage in this process. Nick Garnett looks at the importance of these cross-border arrangements. Page 21

Getting there with safer trains

British Rail is preparing important technological change in the way it tackles train safety. Next month it will unveil two pilot projects for automatic train protection (ATP), systems which would stop a train if a driver should miss a signal. BR could spend as much as £380m ($623m), making it a focus of interest for manufacturers including GEC-Alsthom, in France and Britain, Siemens in Germany, and Ericsson, associated with ABB in Scandinavia. Each of these has a different technical solution, reports Lynton McLain. Page 29

Trying to square the triangle

Last year could hardly have ended more differently for two of the three groups which make up the triangular structure of West German finance. While the co-operative banks almost effortlessly moved closer to simplifying their cumbersome three-tier system, the country's public-sector banks singularly failed in their own slimming down exercise. Haig Simonian reports. Page 23

Gold diggers of 1990

When Carlos Andrez Perez (left) was president of Venezuela during the 1970s, his oil-rich government nationalised industrial gold mining operations owned by foreigners. Now he is back in power, his financially strapped government is trying to develop new gold production with the help of foreign capital. Joseph Mann examines efforts to attract industrial scale investments. Page 30

Short back and share price

Back in its colonial days, Nicosia's share trading was run by Petris the barber. His shop was strategically situated between the Bank of Cyprus and the Alhambra café where the island's wealthiest merchants drank their coffee. While lathering and clipping his customers, Petris negotiated prices, mostly of bank shares, and handed over certificates, all on a strictly unofficial basis. Now the island has a flourishing over-the-counter market, and plans to set up an official stock exchange are well advanced. Page 42

Intel links with NMB

Intel, one of the leading US chip makers, has formed a joint venture with NMB Semiconductor of Japan to manufacture and sell dynamic random access memory (d-ram) chips. Louise Kehoe looks at the move which comes just one week after US semiconductor industry leaders abandoned plans to form US Memories, a $1bn collaborative d-ram manufacturing venture. Page 22

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Lahmeyer	880	+	10	Industrielle	3440	+	240
Mannesmann	345	+	11.2	**Falls**			
Falls				Bongrain	3085	—	80
Fag Kugel.	445	—	10	Euratrance	2440	—	60
Monchelmer	900	—	30	Eurocom	1853	—	47
Metallgesell	611	—	9	Sagem	1421	—	79
NEW YORK ($)				Valeo	760	—	25
Rises				**TOKYO (Yen)**			
Campbell Soup	48½	+	1½	**Rises**			
Merck	72⅞	+	1⅞	CMK	5190	+	500
Morgan Stanley	62½	+	2	Kimura Chem.	1300	+	110
Falls				Kyotaru	2440	+	210
Borden Chem.	11½	—	⅜	Nichiban	1610	+	200
Hilton Hotels	66	—	8¼	Nippon Lace	1000	+	100
Merrill Lynch	23½	—	⅝	Shimura Kako	1930	+	190

LONDON (Pence)							
Rises				Whitbread A	399	+	6
AnglianWater	173½	+	6½	Yorkshire Wtr.	181	+	9
Hammerson	823	+	5	**Falls**			
Helical Bar	275	+	10	BAT Inds.	804	—	13
LASMO	585	+	6	Burmah	693	—	9
Lucas Inds.	641	+	7	Harrisons Cros.	144	—	7
Midland Bank	372	+	12	Rechem Envrmtl.			
South West Wtr.	178	+	11		496	—	27
Standard Chart.	582	+	23	Rentacs	1008	—	15
Wessex Water	174	+	9				

GE profits grow 16% to $3.94bn

By Anatole Kaletsky in New York

GENERAL ELECTRIC, the leading US industrial and services conglomerate, reported good earnings yesterday and projected further steady improvements in the year ahead.

The company's favourable results and confident forecast came as a welcome contrast to the poor earnings being reported by many other leading US companies.

GE made net profits of $1.17bn or $1.30 a share in the fourth quarter, 16 per cent higher than the $1.01bn or $1.12 reported the year before.

The company's annual earnings of $3.94bn or $4.36 a share, were also up 16 per cent on the previous year's $3.39bn or $3.75 a share.

According to the Institutional Brokers Estimates System, the Wall Street consensus forecast of 1989 earnings was $4.33 a share.

GE's shares closed at $63¾ yesterday, up $⅛, against a background of generally weakening prices on Wall Street.

Revenues increased by 5 per cent in the latest quarter to $16.2bn, while annual revenues were up by 9 per cent to $54.6bn.

Mr Jack Welch, the chairman, said virtually all of the company's diverse businesses contributed to the higher earnings but expressed particular satisfaction with financial services, plastics and medical systems.

He noted that orders in some of the "short cycle" businesses had slowed in the second half of 1989, but added that the longer cycle businesses, like aircraft engines, aerospace and power generation were enjoying strong demand.

Summarising performance in the group's various divisions, Mr Welch said that plastics and materials enjoyed sharply rising revenues and operating profits. Medical systems and technical products shared a small increase in revenues but a big advance in profits.

Financial services increased net earnings by 18 per cent. Power engineering had good increases in profits and revenues, reflecting new orders of almost $4bn booked during the past year.

Broadcasting had a good increase in profits in spite of lower revenues.

Aircraft engines continued to advance in both profit and revenue terms, even in comparison with the strong results recorded in 1988.

Major appliances enjoyed somewhat higher revenues and substantially better profits, though the year on year comparison was distorted by unusually high warranty costs in 1983.

Industrial products had flat revenues and higher 73 profits. Aerospace revenues and operating profits were about unchanged relative to last year.

Coloroll comes unstuck over high interest rates

Alice Rawsthorn charts the fall of a stock market star

MR John Ashcroft, the chairman of Coloroll, has a favourite maxim. It is "there are no obstacles, only opportunities in business". However, Coloroll has now come up against a set of obstacles even the ebullient Mr Ashcroft cannot ignore.

Only a few years ago, Coloroll was one of the stars of the stock market. Today, like so many others, it has fallen. Directors who once spent their days doing deals on the back of a strong share price are now struggling against poor demand and plunging profits, as they try to secure the support of bankers until they finalise plans for refinancing.

Coloroll flourished in the mid-1980s as one of the new breed of companies which made the most of a bullish stock market and buoyant consumer spending to build up a business in a string of acquisitions. It began the decade as a small wallpaper mill in Lancashire and ended it as one of Britain's biggest home products groups with interests in everything from carpets, to cushions and crockery.

In retrospect Coloroll had all the characteristics of a company destined for failure. There were gushing profiles in the business press, the chairman with his string of "young businessman of the year" awards and directors with telephone digit salaries and a penchant for spending weekends on army assault courses.

At first everything went well. Coloroll had identified an opportunity to provide attractive, accessibly priced products for the young consumers who were furnishing their first or second homes. In the years when interest rates were low and consumer spending was high, the home products market was buoyant and Coloroll thrived.

Mr Ashcroft and his young managers, the "MBA barrow boys" as he called them, created their own corporate culture. They swooped on newly acquired factories — in the corporate helicopter, of course — to rally the workforce. Production plants were plastered with "How are we doing?" boards. Executive loos were ripped out and communal canteens installed. Mr Ashcroft's maxims — "Every manager is a sales manager" and "Don't have too many intellectuals" — tripped off the tongues of the MBA barrow boys.

Coloroll soon lost the support of the City. It issued too many shares, its accountancy techniques were a little too inventive and Mr Ashcroft was far too short tempered — he once threw an analyst out of the results meeting — for the company to keep the City's sympathy for very long. The problems began in 1988 with the £207m ($337m) acquisition of the John Crowther Group. At the time the Crowther deal looked like a symbol of Coloroll's success.

"Every manager is a sales manager" and "Don't have too many intellectuals" — tripped off the tongues of the MBA barrow boys.

The MBA barrow boys had fought a bitter bid battle against Thomas Robinson, the engineering group. Crowther was a far bigger business, but Coloroll was confident it could apply the same formula of flogging off subsidiaries and cutting costs which had worked so well with its smaller deals.

Coloroll needed to sell the subsidiaries quickly to bring down borrowings incurred in the Crowther deal. But it was unexpectedly difficult to find buyers prepared to pay the right prices.

Coloroll was in such a hurry to sell Response, the Crowther clothing companies, to a management buy-out team that it agreed to accept part of the purchase price as a 6 per cent shareholding and incurred contingent liabilities for £21.75m from its involvement in the mezzanine financing for the deal. It did the same when it sold the Homfray Hycraft carpet company in Australia by taking a 20 per cent stake and incurring contingent liabilities for £13m.

These problems could be contained in the days when the home products market was still buoyant. All that changed last spring when interest rates rose, the housing market collapsed and consumers had far less money to spend on their homes.

By the summer Coloroll was suffering sharp falls in sales and ferocious pressure on prices. Two months ago it announced pre-tax profits had plunged from £20.5m to £10m on turnover of £283.5m in the six months to September 30. It also announced 600 redundancies and a number of businesses had been put up for sale.

The trading climate is still intensely competitive. Some sectors, such as wallcoverings and furniture, have deteriorated. And, as Lowndes Queensway's problems illustrate, the retail sector is in disarray. This week Coloroll warned its profits for the second half will be lower than for the first half. Analysts now anticipate pre-tax profits of less than £15m — after interest payments of £20m — for the full financial year to March 30.

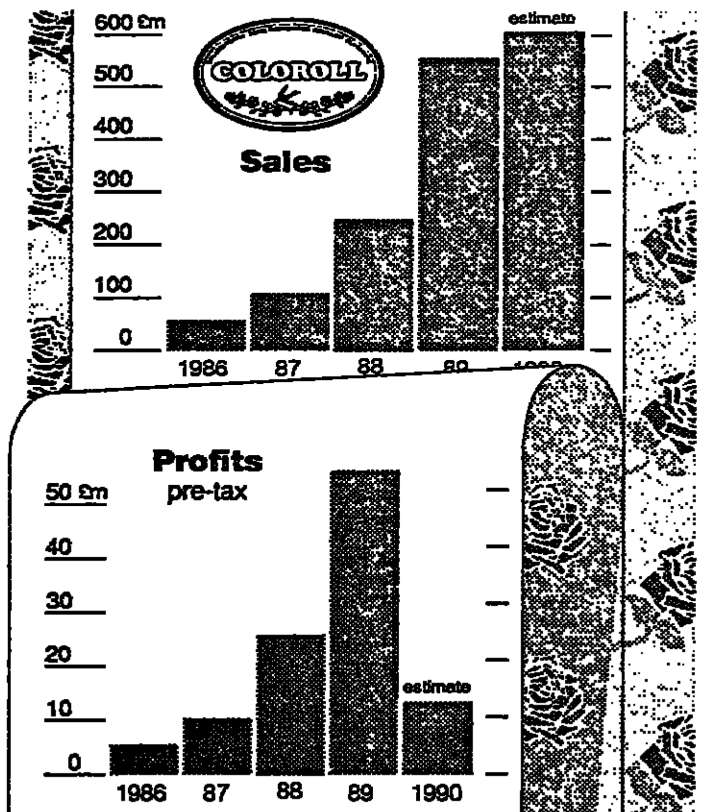
As if plunging profits and uncomfortably high borrowings were not enough, Coloroll also faces the threat of having to honour contingent liabilities of up to £40m for Response and Homfray Hycraft. Response is the main difficulty. It has been rumoured to be in trouble for months. Coloroll has asked its bankers for short term support in case it has to honour its commitments. It is also trying to tackle its long term problems by pulling together a programme to recapitalise the whole group.

Coloroll's advisers — S.G. Warburg and Morgan Grenfell — are sounding out the institutions to see whether they would support a rights issue. However, the City has little or no confidence in the present management team. "I have heard so much false optimism and so many broken promises that I do not believe a word they say," said one analyst. Coloroll's share price, which halved in value on Monday, fell again by 3p to 26p yesterday.

The simplest solution of selling Coloroll intact seems improbable while it is in such a mess. "No one but a fool would bid until after the preliminary results — when they have had a closer look at the accounts," said one of its competitors. Moreover the group's break-up value — estimated at £200m — is roughly equivalent to its liabilities and borrowings.

Some companies are said to be interested in particular parts of the business. Williams Holdings, which has a 1 per cent stake, may be a buyer for wallcoverings. Coats Viyella of the UK and DMC of France are seen as potential purchasers for home furnishings.

In the meantime the MBA barrow boys have been left to placate the bankers until the refinancing is finalised and, of course, to hope for a reduction in interest rates, the biggest obstacle of all.



Saatchi plans job cuts and shake-up

By Alice Rawsthorn in London

SAATCHI & SAATCHI, the embattled UK communications and consultancy group, is expected today to announce plans for the restructuring of its main London advertising agency in a reorganisation involving about 70 job losses.

For the past week, Saatchi has been hounded by rumours that it was about to announce substantial redundancies at the agency, which is the largest in the UK and has traditionally been one of the most profitable parts of its business.

Since the start of last year, the Saatchi agency, like almost all its competitors, has suffered from a slowdown in the UK advertising market.

The squeeze on consumer spending and the uncertain economic outlook has prompted many advertisers to postpone campaigns and to prune budgets.

Saatchi, like other London agencies, has been forced to cut costs by shedding staff. There were about 50 job losses at the agency — which now employs around 800 people — last year.

The agency's senior management met at the weekend to finalise plans for the restructuring. The new structure involves the creation of an extra tier of about six senior managers reporting to Mr Bill Muirhead, chairman, and Mr Paul Bainsfair, joint chief executive. Under the old system the account groups, which work on campaigns with the agency's clients, reported directly to Mr Muirhead and Mr Bainsfair. In future they will report to the new tier of managers.

The restructuring will be accompanied by a rationalisation programme involving about 70 job losses taken from across the agency's activities. Saatchi is also expected soon to announce redundancies at Backer Spielvogel Bates, the New York agency which is the base for BSB Worldwide, one of its international advertising networks.

BSB recently lost its $70m (£42m) corporate advertising account for the Prudential Corporation of America to Lowe-Marschalk, which is owned by the Lowe Group of the UK.

The job losses at Saatchi and BSB form part of the continuing restructuring of Saatchi's interests under Mr Robert Louis-Dreyfus, its new chief executive. Saatchi, once the star of the marketing services sector, recruited Mr Dreyfus after plunging into problems last year. He is now trying to conclude the sale of Saatchi's management consultancies.

Hilton seeks alternative to sale

By Anatole Kaletsky

HILTON HOTELS, the US hotel and gaming group which put itself on the auction block last August in the hope of attracting bids worth around $6bn, announced yesterday it was considering alternatives to a full sale of the group.

The news came as a shock to Hilton shareholders, in spite of the fact that rumours of disappointing bids had been circulating for months on Wall Street.

Hilton's stock fell $8¼, or 11 per cent, to $66¼ in heavy trading on Wall Street yesterday morning, before being suspended ahead of the announcement.

The bad news from Hilton also had a wider stock market impact. Some traders attributed the sharp fall in the Dow Jones Industrial Average just before lunchtime to rumours that Japanese bidders had withdrawn from the Hilton auction.

Last year, Hilton had been one of the best performing stocks on Wall Street, soaring 140 per cent on the wave of takeover hopes.

The company's shares traded as high as $115½ last summer, at the peak of the speculation. At the time analysts were forecasting offers of at least $120 a share or $6bn for the group's 270 luxury US hotels and three casinos.

The international hotels which operate under the Hilton trademark were sold by the parent company many years ago and now belong to the London-based Ladbroke Group.

In yesterday's terse announcement, Hilton said its board would hold a regularly scheduled meeting next week in Beverly Hills to consider "a number of alternatives, including proposals to acquire the company as well as restructuring strategies that would not involve a sale of the company."

There could be no assurance the board would pursue any of these alternatives, the company added.

The announcement still left open the possibility of an outright sale, but arbitrageurs on Wall Street said the directors would probably reject an offer worth less than about $80 a share or $4bn in total.

The main alternative for the company would probably be to split the company between its hotel and gaming interests. The hotels could then be sold, either as a group or on a piecemeal basis, and money might be borrowed against the casino properties to pay a large cash dividend.

Several big property-related sales and takeovers have fallen through or generated disappointing interest recently because of rumoured political pressure on Japanese investors to back off from high-profile real estate transactions in the US.

Fiat boosted 29% to L4,950bn

By John Wyles in Rome

FIAT AUTO bade farewell to the 1980s with a 29 per cent rise in 1989 operating earnings, an 18 per cent rise in consolidated sales, a steadily increasing payroll and a net financial surplus.

Operating earnings finished at L4,950bn ($3.86bn), yielding a margin on sales of 9.5 per cent, compared with 8.6 per cent in 1988. Net sales rose to L52,200bn, including a gain of L800bn through the acquisition of 51 per cent of the construction company, Cogefar, and another gain of L1,900bn after the consolidation of some of the group's financial services operations. The sales increase falls to 11.5 per cent after allowing for acquisitions and consolidations in 1989.

Mr Gianni Agnelli, chairman, yesterday emphasised that during the decade, Fiat had first regained its financial balance and then moved towards attaining "ever growing heights of expansion and economic and financial solidity."

In a letter which dwelt more than usual on political themes, including the need for the Italian government to speed up adaptations for the European Community's forthcoming market, Mr Agnelli said Fiat had to become still more international and multiply its external links.

Both investments in 1989 (L3,600bn) and research and development (L1,800bn) were financed out of cash flow, while the group's net financial surplus fell slightly from L2,349bn to L2,050bn because of debts carried by the financial services subsidiaries. Total group employment rose by 12,400 to 289,700.

Car sales fell by 3 percentage points to a 54 per cent share of total revenue although unit sales rose by 103,000 to 2.3m. Around two thirds of total deliveries were to the Italian market, which helped carry Fiat Auto to a European market share of 15 per cent.

Lancia sales in Europe reached a record 295,000 while total Alfa Romeo sales rose 6.8 per cent to 235,000 vehicles.

Elsewhere in the group, sales of industrial vehicles climbed by 8.8 per cent to L8,150bn after a 5.2 per cent increase in deliveries to 136,100 units. Fiat marques took a total European market share of around 20 per cent.

Components subsidiaries registered a 10.8 per cent growth in sales to L3,802bn while other significant increases included telecommunications (up 46.5 per cent to L1,609bn) aviation (up 27.4 per cent to L901bn) and industrial components (21.3 per cent higher at L1,645bn).

Mr Agnelli said Fiat SpA, the group's main quoted company, should have registered a 20 per cent rise in net profits to L1,200bn.

Nissan to consider help for Subaru

By Stefan Wagstyl in Tokyo

NISSAN MOTOR, the second biggest Japanese car maker, is to consider measures to support Fuji Heavy Industries, the struggling maker of Subaru cars with which it has close links.

This pledge by Nissan yesterday follows action by Toyota Motor, Japan's largest motor company, to aid Daihatsu Motor, another second-tier vehicle maker which has run into difficulties.

The moves highlight a need for restructuring in the Japanese automotive industry, in which no fewer than 11 domestic companies make cars and trucks. Companies have for years resisted attempts by the Ministry of Trade and International Industry to encourage outright mergers, while resorting increasingly to co-operation agreements.

The plans also show how large Japanese companies try to pull weak ones through difficult times. In return, the big group usually secures a measure of control – including the right to nominate directors.

Mr Yutaka Kume, the Nissan president, said he was willing to listen to specific proposals made by Fuji. He hoped any support plan would be based on wide-ranging co-operation between Nissan and Fuji. Industrial Bank of Japan (IBJ), Fuji's main bank, would also be involved in any restructuring, said Mr Kume.

Nissan has 4.5 per cent of Fuji's equity and IBJ 4.2 per cent, stakes which reinforce close historical and commercial links between the companies. IBJ is chief banker to the whole Nissan group. Nissan Motor was one of the biggest components of the pre-war Nissan *zaibatsu*, or industrial grouping, which also included precursors of Fuji Heavy. The conglomerate was broken up after the war but its constituent companies have stayed in close contact. Fuji has made cars for Nissan on occasion.

Like other small manufacturers, Fuji has been struggling to compete with the large manufacturers. It has tried to exploit niche markets – including four-wheel drive cars and minicars. A boom in minicar sales in the mid-1980s tailed off in the last year, leaving Fuji and other minicar makers in trouble.

Fuji has suffered particularly badly because it was number three in the market behind Daihatsu and Suzuki Motor. Exports of Subaru four-wheel-drive vehicles to the US have also fallen due to a weakening in the US market. Earlier this month Fuji Heavy moved to take full control of Subaru of America, its half-owned distributor which has been a loss-maker in recent years.

Fuji's own operating profits declined from Y11.2bn in the year to March 1987 to Y2.7bn ($18.4m) last year on sales of Y663bn. This year it is expected to make an operating loss of about Y3bn. This decline is not so apparent at the pre-tax level where profits have been bolstered by income from investments. Pre-tax profits last year were Y13.9bn.

Fuji is drawing up a long-term restructuring plan which involves boosting its sales networks and cutting production costs.

Nissan's options include seconding staff to Fuji, asking Fuji to resume manufacture of Nissan cars, and co-operation agreements in manufacturing and sales. Nissan said that because Fuji was a member of the Nissan group it had a responsibility to consider seriously any proposals Fuji made.

Multi-Purpose continues disposals with $18m sale

By Lim Siong Hoon in Kuala Lumpur

MULTI-PURPOSE Holdings, the diversified Malaysian group, has continued a divestment campaign by selling control of Mulpha International Trading, which sells consumer and engineering products.

Its 71 per cent stake fell to just over 20 per cent following a 48m ringgit ($17.8m) sale made through the open market, the group said. It will be used to help repay the group's 240m ringgit debts.

Two months earlier the group agreed to a 500m ringgit sale of its biggest asset: 27,600 hectares of plantations in Dunlop Estates. These disposals were not in the plans when Kamunting Corporation, a toll road operator, gained control of Multi-Purpose last year from Koperatif Serbaguna Malaysia a co-operative society.

Kamunting was hailed as a white knight rescuing KSM, which was in receivership, and Multi-Purpose, mired in losses and debts. The move was politically important. Multi-Purpose was built by the Malaysian Chinese Association, part of the ruling coalition.

However, Kamunting's attempts to fund the scheme seem to be foundering. The rescue centred on a 276m ringgit convertible loan note issue, and a 276.5m ringgit share issue. But KSM members want cash not notes. Up to now barely 9 per cent of the note issue has been subscribed. Kamunting's own issue is 57 per cent undersubscribed. All this leaves Kamunting to shoulder 328m ringgit by itself.

Profits up 13% at NBK

By Our Financial Staff

NATIONAL BANK of Kuwait, the country's largest commercial banking group, boosted net profits 13.1 per cent last year to KD35m ($120.1m) after debt provisions which it did not specify but said met tight regulatory demands. It also reached the result – a record – after making an unquantified transfer to its own reserves.

It will pay a cash dividend of 20 per cent as well as a 15 per cent bonus issue.

COMPANY NEWS IN BRIEF

NESTLE, the Swiss-based food group, said group consolidated sales in 1989 jumped 22 per cent to SFr48.1bn ($31.4bn) from adjusted sales figures for 1988, AP-DJ reports.

The company also said it expects a higher consolidated net profit for 1989 compared to the previous year, but did not provide a specific forecast.

Nestlé, however, said it "certainly isn't stepping back" from a forecast made in November of a 10-per cent to 15 per cent jump in net profits in 1989.

■ Pernod, the French drinks group, said its improved bid for Australia's Wyndham Estate Wines has been accepted by Wyndham's majority shareholder, Reuter reports.

Pernod said the bid, launched through its Orlando Wines unit, values Wyndham at about FFr350m ($59.8m). The bid, at A$1.80 (US$1.43) per share, is conditional on Orlando getting at least 50 per cent of Wyndham shares.

The original offer, launched in December, was for A$1.65 per share and dependent on obtaining 90 per cent.

■ Bayer, the West German chemical company, said group pre-tax profit rose 8.5 per cent to a provisional DM4.1bn ($2.38bn) in 1989 from DM3.78bn in 1988, Reuter reports.

Mr Hermann Strenger, management board chairman, told analysts that 1989 group operating profit rose about 10 per cent to a provisional DM4.4bn from DM4bn in 1988. Group turnover rose 7 per cent to DM43.3bn.

■ Nobel Industrier, the Swedish arms and chemical manufacturer, said it had sold property worth SKr1.3bn ($208m) to trading company Axel Johnson, Reuter reports.

Mr Jan Kihlberg, Nobel Industrier finance director, said the sale was a natural follow-up to a deal 18 months ago when Nobel sold retail store holdings to Axel Johnson. He did not comment on profit made from the property sale.

Kihlberg said the money had not been earmarked for a specific purpose, although he noted the company had said it intended to expand its chemicals operation.

■ Docks de France, the French retail distribution group said it agreed in principle to buy Huntley's Jiffy Food Stores, a Florida-based convenience-store operator, for about $100m, Reuter reports.

Huntley's runs 328 stores, and had turnover of $251m in the year to end-February 1989.

Defaults on long-term bonds head for record

By Janet Bush in New York

CORPORATE defaults on long-term bonds holdings are almost certain to reach a record in 1990, according to Moody's Investors Service, the US credit rating agency.

Moody's said 50 companies defaulted on an estimated $9.3bn in long-term debt securities in 1989, including forced exchanges or a form of rescheduling which means substantial losses for bond holders. This record is almost certain to be broken in 1990, it said in its Global Outlook.

Moody's said 1990 will be the sixth consecutive year in which US corporate credit downgradings will outnumber upgradings by a wide margin, against a background of a weak economy, a growing number of highly-indebted speculative-grade companies and a contraction of new issues in junk bonds.

In 1989, rating downgrades affected 339 companies, up from the previous record of 246 companies in 1986.

Moody's said that acquisition activity would decline in 1990 and the financial buyer, backed by leveraged buy-out funds, would find it more difficult to secure bridge loans to finance takeovers.

"As credit quality continues to worsen in the US credit markets, Moody's looks for issuance of new junk bonds to drop by as much as 30 per cent in 1990," the agency said.

Norwegian bank in record placement

By Karen Fossli in Oslo

FINANSHUSET, a Norwegian investment bank, has launched a private placement of 6.5m shares to raise $65m on behalf of Benor Tankers, a newly established Bermuda-registered shipowner.

The placement is the largest ever undertaken by a Norwegian investment bank on behalf of a foreign company, Finanshuset claims, and will have a two-week subscription period. Benor Tankers will seek a share listing on both the Oslo and Luxembourg stock exchanges.

Farmers sale could face delay, says BAT

By Nikki Tait

BAT Industries, the tobacco-based conglomerate which has been under threat from Sir James Goldsmith's Hoylake consortium , is planning to tell the US insurance commissioners that it could be months before Hoylake – if it gained control of BAT – could sell Farmers Group, BAT's US insurance subsidiary.

The issue is highly relevant because Hoylake, by lining up Axa-Midi Assurances – a French-based insurance group – as the potential buyer of Farmers, has argued that the question of its suitability to own Farmers is largely superfluous. Lengthy legal documents concerning the hand-over have been filed in the US.

However, at a briefing to analysts and press in London, Mr Stuart Chalfen, BAT's in-house lawyer, said that the company planned to argue that there were "two relevant legal impediments which might arise" and delay the hand-over. Such a delay, he suggested, could be a matter of months.

He declined to elaborate on what the legal difficulties might be, suggesting that this would come out in the hearings. But, he confirmed that they went beyond the problems of tidying up a bid, once control had been established.

Mr Chalfen also said that BAT intended to raise the matter of last September's letter from the Department of Trade and Industry to Hoylake's lawyers with the Takeover Panel. The letter formed a preliminary notice that the DTI was considering objecting to Hoylake's acquisition of Eagle Star and Allied Dunbar, BAT's UK insurance subsidiaries.

Mr Chalfen suggested that, had the Panel been aware of this letter its decision to allow Hoylake to lapse its offer, pursue US regulatory clearances and then rebid, might have been different. This notion appeared to win little support from the authorities yesterday.

The DTI put out a clarifying statement of its own yesterday. It said "preliminary written notices served on Hoylake and the other proposed controllers of BAT were part of the Department's examination of the implications of the bid for policyholders."

"The Department's letter and the serving of the preliminary notices should not be taken as meaning that we would ultimately have objected to the proposed takeover."

Hoylake plans to issue its own statement, clarifying what it sees as the position, today.

Hearings before the Illinios insurance authorities were still involved in opening speeches from the lawyers yesterday.

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Birkel purchase approved

By William Dawkins in Paris

BSN, the acquisitive French foods business, has won clearance from the tough West German anti-trust authorities to take over Birkel, Germany's second largest pasta maker.

The deal, for which no price is being disclosed, lifts BSN's share of the German pasta market from 6 per cent to 28 per cent, overtaking the former market leader, Drei Glocknen, which supplies about 25 per cent of the country's pasta.

The Berlin-based Cartel Office had expressed reservations about the takeover on the grounds that it might have given BSN a position of market dominance. Its change of heart removes a potentially costly obstacle to BSN's ambitious European strategy.

French Government officials flew to Bonn for emergency talks with the Economics Ministry earlier this month, after attempts by Mr Antoine Riboud, BSN's chairman, to persuade the Cartel Office to lift its objections.

The authorities changed their minds on the grounds that Drei Glocknen was taken over at the turn of the year by the powerful Vereinigte Kunstmühlen, a flour milling group. They argued that Drei Glocknen's new owner gave it the muscle to compete.

Our Financial Staff adds: Separately, BSN yesterday announced a rise in 1989 group turnover to FFr48.7bn ($8.32bn) from FFr42.2bn. Fresh foods sales were FFr12.63bn (FFr11.07bn in 1988) and biscuits FFr11.12bn, (FFr8.28bn).

UPM battle hots up with share issue to Rauma

By Enrique Tessieri in Helsinki

THE battle over ownership of United Paper Mills (UPM), Finland's fourth largest forest group, took another surprise turn yesterday when Rauma-Repola, an engineering and forest group, raised its stake from just over 6 per cent to around 13.2 per cent.

Rauma took up a directed share issue from UPM, consisting of 2.5m preferred shares at FM160 apiece for a total cost of FM400m ($99m).

Rauma's new interest in UPM comes only days after Metsä-Serla, one of Finland's largest forest groups, surprised everyone by acquiring 25.7 per cent of the forest group. Since last Thursday, Metsä-Serla claims to have raised its stake in UPM to around 28 per cent for a total cost of some FM2bn.

Mr Niilo Hakkarainen, managing director of UPM, did not welcome Metsä-Serla's stake and encouraged shareholders on Monday to sell their shares through Kansallis Osake Pankki (KOP), one of Finland's two largest banks.

Both UPM and Rauma-Repola are within the sphere of influence of the KOP group while Metsä-Serla is under the influence of Agricapital.

Mr Hakkarainen remarked that "one of the most noticeable aspects (of Metsä-Serla's stake) is that one can purchase over one fourth of United Paper Mills for the investment cost of one paper machine."

A paper machine and a structure to house it would cost in the somewhere between FM1.8bn and FM2bn, according to UPM.

A UPM official said: "Before, I thought that only small and medium-sized companies could be easily taken over in this country. Now I guess that large firms like ours are also vulnerable to such takeovers."

The acquisition of the UPM stake by Metsä-Serla has put strains between both companies. However, Metsä-Serla and UPM officials are expected to meet next week to discuss how both companies can co-operate and plan future investment strategy.

Morgan Stanley advances to $443m, boosts dividend

By Janet Bush

MORGAN STANLEY, the leading US investment bank, yesterday reported sharply higher net income for 1989 with strong contributions from investment banking, trading and principal investments.

The board boosted its quarterly dividend by 36 per cent to 37.5 cents a share from 27.5 cents a share and authorised the purchase of an additional $200m of its common shares.

Net income for the year totalled $443m, compared with $395m in 1988, while gross revenues jumped to $5.83bn, against $4.11bn in the previous year. Net of interest expenses, revenues totalled $2.45bn, compared with $2.20bn in 1988.

Earnings per share for the year rose to $11.21 a share from $10.26 in 1988.

Revenues included pre-tax investment gains of $246.5m, up sharply from $159.4m in 1988. These were due to the restructuring of several of Morgan Stanley's principal investments in which it committed its own capital to leveraged transactions.

Mr Parker Gilbert, chairman, Mr Richard Fisher, president, and Mr Robert Greenhill, vice chairman, said in a joint statement that the 1989 results reflected the strength and diversification of its business.

They added that the financial advisory business remained active, reinforced by the growth of cross-border mergers and acquisitions and real estate advisory revenues, a relatively new area.

They said Morgan Stanley remained a leading underwriter for high-quality issuers and that sales and trading, international equities, foreign exchange and commodities all performed strongly. Its fixed-income business did well in the face of difficult market conditions in the US and Europe.

They added that asset management and global clearing and custodial services also achieved strong growth.

In the fourth quarter, the company reported net income of $148.6m, compared with $108.3m in the previous year, on net revenues of $704.5m, up from $594.9m in the year-ago quarter. Earnings per common share were $3.80 in the final quarter, against $2.84 in the final three months of 1988.

Morgan Stanley said that, as of December 31, its unused authorisation to buy back common shares stood at $39.6m.

Shearson raises income 14%

By Janet Bush in New York

SHEARSON Lehman Hutton, the US securities house in the process of a big recapitalisation, yesterday announced a 14 per cent rise in net income in 1989 to $110m.

The figure compares with $96m a year earlier, on revenues of $12.5bn, up 19 per cent from $10.5bn in 1988.

In the fourth quarter, Shearson reported net income of $3.8m, against a net loss of $13.5m in the year-ago quarter. On a pre-tax basis, there was a loss of $9.4m, compared with a pre-tax loss of $16.5m in the final quarter of 1988.

The company said higher earnings last year reflected record commissions as well as record revenues from market making and principal transactions. This more than offset a decline in net interest income, lower investment banking revenues and an increase in total expenses.

There was a muted reaction in the stock market where Shearson's shares were quoted $⅛ lower at midsession at $11.

The lack of reaction was partly because the results were in line with advance estimates given by the company earlier this month. They coincided with a roadshow aimed at promoting an offering of 20m shares which is part of the recapitalisation.

The recapitalisation, expected to be completed by late this month or early next, will lower American Express's stake in Shearson from around 61 per cent to just under 50 per cent.

Market-making and principal transactions generated record revenues of $1.3bn in 1989, a rise of 12 per cent compared with 1988, due to strong results in over-the-counter equity trading and risk arbitrage.

Investment advisory revenues rose 6 per cent to a record $684m, but investment banking revenues fell 27 per cent to $963m from $1.3bn in 1988.

This sharp drop reflected a slowdown in underwriting, syndication and merchant banking – committing the company's own capital to investments.

Various charges and gains taken against the 1989 results roughly offset each other.

Nortel up 45% after cost cuts

By Bernard Simon in Toronto

COST-CUTTING helped Northern Telecom achieve a 45 per cent improvement in fourth-quarter earnings last year before a one-time restructuring charge, despite fierce competition in the telecommunications equipment market.

The Toronto-based company said net earnings after preferred dividends were US$162.6m, or 67 cents a share, in the three months to December 31, against a US$22.6m loss, or 9 cents a year earlier.

The 1988 figure includes a $200m charge for restructuring costs. Revenues advanced from $1.5bn to $1.8bn. Nortel posted net earnings of $354.1m or $1.47 for 1989 as a whole, up from $165.6m or 70 cents in 1988. Revenues rose to $6.1bn, from $5.4bn.

Mr Paul Stern, who took over as chief executive last March and will become chairman in April, said margins widened in the fourth quarter thanks to the restructuring programme and other cost-cutting measures. He predicted higher revenues and earnings this year, barring a "significant" economic downturn.

Nortel said its order backlog stood at $1.88bn on December 31, up 8 per cent from the end of September.

Much of Nortel's success in recent years has been due to its close relationship with regional telephone companies in the US. The company said the US accounted for about 60 per cent of sales last year, slightly less than the 62 per cent posted in 1988.

Other international business in the Pacific Rim, Europe, Latin America and the Caribbean grew strongly, while the group's share of international business increased from 8 per cent in 1988 to about 10 per cent last year.

One US analyst said Nortel was unlikely to bid for Mitel, the other Canadian manufacturer of computerised switchboard equipment, following British Telecom's announcement on Monday that it was seeking a buyer for its 51 per cent stake.

3M reports record figures although growth slows

By Karen Zagor in New York

MINNESOTA MINING and Manufacturing, the diversified US industrial group, yesterday reported record fourth-quarter and year-end sales and earnings, although the rate of growth has slowed compared with its strong performance in the past few years.

For the three months ended December 31, net income advanced 7.4 per cent to $292m or $1.31 a share, compared with a 25.7 per cent jump to $272m or $1.21 a year earlier. Sales in the quarter rose 7.4 per cent to $2.95bn from $2.75bn.

For the year, net income increased 7.8 per cent to $1.24bn or $5.60 a share from $1.15bn or $5.09 the previous year. Earnings per share advanced 10 per cent thanks to fewer shares outstanding. Sales in the year rose 5.9 per cent to $12bn from $11.32bn.

Mr Allen Jacobson, chairman and chief executive, said: "1989 was another successful year for 3M. We achieved higher sales and earnings – and maintained very good profitability – in the face of modest US economic growth and negative currency effects."

The company estimates that the strength of the dollar in 1989 compared with 1988 reduced 3M's net income by about $49m or 22 cents a share.

However, Mr Jacobson said the company's international business achieved higher profits in spite of the unfavourable currency translation rates.

"Our international business posted its eighth consecutive quarter of double-digit unit-volume gains," he said. 3M's exports of goods to international markets topped $1bn for the first time, he added.

The company said return on stockholders' equity rose to 23.1 per cent, the highest since 1960. Return on capital employed was 26.9 per cent from 26.8 per cent in 1988.

Mr Jacobson said earnings growth was led by the company's information and imaging technologies sector.

Disney shares slide on news of 18% increase

By Alan Friedman

WALT DISNEY, the entertainment group whose shares have been among the hottest glamour stocks on Wall Street, yesterday turned in an 18 per cent rise in net income for the first quarter of its fiscal year, ended December 31.

However, at $174.4m, or $1.26 per share, the performance was slightly below the stock market's runaway expectations.

The company's share price was marked $2¼ lower yesterday morning to $103¾; this level contrasts with the $124¾ share price last November when Disney announced 1989 fiscal year net profits of $703m on $4.59bn of revenues.

Disney's revenues were 23 per cent higher in the October-December quarter, to $1.29bn, while operating income increased by 24 per cent to $309.2m.

Mr Michael Eisner, chairman of Disney, yesterday attributed the company's performance to improvements in all three main business sectors – theme parks and resorts, filmed entertainment and consumer products. Sales from theme parks and resorts rose by 21 per cent to $619.4m, thanks to record attendance and higher per capita spending.

Revenues from filmed entertainment were up by 23 per cent at $503.4m, mainly due to growth in the theatrical, home video and television markets. Theatrical results were helped by the record-setting animated film The Little Mermaid, while home video results got a boost from sales of Who Framed Roger Rabbit.

The consumer products division achieved 35 per cent higher sales of $165.3m. The main contributors to the rise were increased merchandise licensing in the US and abroad, publishing deals in Europe and the expansion of The Disney Stores.

Cuccia steps in over Mondadori

By John Wyles in Rome

THE FABLED high priest of Italian finance, Mr Enrico Cuccia, has apparently launched a quiet mediation aimed at resolving the bloody battle between Mr Carlo De Benedetti and Mr Silvio Berlusconi for control of the Mondadori publishing group.

No official confirmation was available yesterday, but it was learned last night that Mr Cuccia, the octogenarian honorary president of the merchant bank Mediobanca, was testing certain ideas in contacts with both sides.

His intervention has come on the eve of tomorrow's assembly of Mondadori shareholders at which the Berlusconi coalition will exercise its prevailing majority to impose its chosen board of directors.

Though the De Benedetti camp maintains that it will eventually win the struggle over the coming months because it controls a majority of Mondadori's ordinary and preferred capital, the Cuccia mediation will be seen in Milanese financial circles as a sign that Mr De Benedetti is giving ground.

Since he is a director of Mediobanca, it will be assumed that Mr Cuccia would not have stepped in without the financier's acquiescence.

Speculation about the contents of any possible deal has ranged from a breaking of ranks by Mr Eugenio Scalfari, the director of La Repubblica newspaper who, with his partner Prince Carlo Caracciolo, owns 4 per cent of Mondadori, to a division of the group's assets between the De Benedetti and Berlusconi camps.

Since it seems unlikely that Mr Scalfari would undermine his vehemently anti-Berlusconi public stand by signing a private deal, a division of assets would appear more plausible as the basis for a ceasefire.

In the meantime, Mr De Benedetti is continuing his attempts to resolve the battle in his favour. Arbitrators will rule on the propriety of the Formentons' agreement to sell him their 25.7 per cent of the Amef holding company.

Strong drug sales help Merck to 20% gain

By Alan Friedman in New York

MERCK, the New Jersey drug company that has made enormous progress in introducing new products, yesterday announced a 20 per cent rise in fourth-quarter net income, to $367.9m or 93 cents per share. The earnings were achieved on 15 per cent higher fourth-quarter sales of $1.8bn.

The company's performance was in line with most expectations, although on Wall Street Merck's shares were marked ⅞ of a point higher yesterday morning to $71⅝.

For the whole of 1989 Merck – the world's largest maker of human pharmaceuticals – turned in a $1.5bn net profit, 24 per cent above the 1988 level.

Total 1989 group sales, 47 per cent of which came from outside the US, amounted to $6.55bn, 10 per cent higher than 1988 revenues.

Mr Roy Vagelos, Meck's chairman, said sales growth last year was led by new products, but he noted that the effect of a stronger US dollar relative to foreign currencies reduced sales growth by 3 per cent.

Nonetheless, Merck last year had 17 products with at least $100m of worldwide sales each.

Sales last year were particularly strong from products such as Mevacor, a new cholesterol-reducing agent which has around 50 per cent of the US market.

Other key performers were Vasotec, used to reduce high blood pressure and for heart failure: last year Vasotec became the first Merck product to reach annual worldwide sales of $1bn.

Earnings per share for 1989 were $3.78, up from $3.05 in 1988. Mr Viren Mehta, a leading New York drugs sector analyst, said he expected Merck to produce 1990 earnings per share of $4.40, or roughly $1.7bn of full-year net income.

Mr Vagelos is keenly aware of the need to keep up momentum at Merck. Last autumn he said the company would have to shoulder heavy costs to beat back competition from a string of new "megamergers" such as Squibb and Bristol-Myers; SmithKline Beckman and Beecham; and Dow Chemical and Marion Labs.

Last week Rhône Poulenc of France announced plans to acquire 68 per cent of Rorer, the Pennsylvania drugs company best known for its Maalox antacid product.

Merrill Lynch in $470m write-off

By Janet Bush in New York

MERRILL Lynch, the largest US securities house, is taking a $470m pre-tax charge against fourth-quarter earnings, its largest-ever annual loss.

Including the charge, the company had a net loss of $213.4m in 1989, compared with net earnings in 1988 of $463.2m, and a fourth-quarter net loss of $351.8m, against a profit of $275.8m in the final quarter of 1988. The loss in the final three months of 1989 was a record.

The charge, which was widely expected on Wall Street but was far bigger than anticipated, relates to a continuing restructuring of Merrill Lynch's business in an effort to cut costs and position itself in the securities industry in an increasingly difficult and competitive environment.

Merrill Lynch said that the restructuring, once complete, should result in annual cost savings of more than $100m.

Mr Perrin Long, securities industry analyst at Lipper Analytical, said this was the largest charge relating to a restructuring taken by a securities house in the history of Wall Street.

Merrill has the largest payroll of any US securities house and has long been criticised for being overstaffed and failing to cut costs. This criticism intensified after the October 1987 stock market crash when Merrill Lynch was not seen to have done enough to scale down in response to a slump in the securities business.

The restructuring charge results from the decision to divest certain product lines and businesses and to scale down the size of some of its remaining operations.

Merrill Lynch is in the process of sweeping job cuts which, together with payroll cuts resulting from the sale of businesses, are expected to reduce its staff by 3,000 this year.

Mr William Schreyer, chairman, and Mr Daniel Tully, president, said in a statement: "Our operating results reflect the difficult environment experienced industry-wide, characterised by a low level of individual investor activity, broad-based deterioration of the high-yield bond market, thinning margins in several product areas and intensified competition."

Without the charge, Merrill Lynch said that it would have earned $181.6m in 1989 and $33.2m in the fourth quarter. It also noted that its 1988 results included a one-off after-tax gain of $254.7m due to the decision to end the company's pension plan.

Revenues in 1989 were a record $11.3bn, a rise of 16 per cent from $9.7bn in 1988.

Arco ahead, but Amoco slips

By Alan Friedman in New York

AMOCO, the fifth-largest US oil and gas group, unveiled a 15 per cent drop in fourth-quarter earnings, to $319m or 62 cents per share.

Atlantic Richfield (Arco), the seventh-biggest US energy concern, said its fourth-quarter net income was $403m, or $2.38 per share, up from $391m, or $2.22, in the final quarter of 1988.

The smaller Amerada Hess also reported higher earnings yesterday, with a fourth-quarter net profit of $70.8m, or 88 cents per share, against $66.3m or 80 cents a share in the last three months of 1988.

The Amoco decline, on $6.8bn of fourth-quarter revenues, occurred in spite of higher crude oil prices and was attributed yesterday to lower margins in the company's refining, marketing and transportation activities, as well as to a 45 per cent fall in earnings from chemicals, to $79m.

Amoco also said its special provisions for anti-pollution programmes – which affected full-year income – totalled $120m in 1989, of which an $80m charge had been taken in the third quarter. Texaco last week announced a $355m non-recurring environmental charge.

For the whole of 1989 Amoco's net profits dropped by 22 per cent to $1.61bn, or $3.12 per share (against $4 per share in 1988). Total 1989 sales rose to $26.8bn from $23.9bn in 1988. The company's return on equity fell to 11.9 per cent last year from 16.2 per cent.

Mr Richard Morrow, chairman of the Chicago-based Amoco, claimed that on a comparable basis fourth-quarter earnings were roughly the same because the final quarter of 1988 included a range of natural gas settlements.

The Los Angeles-based Arco said its full-year net income in 1989 was $1.95bn, or $11.26 per share, up from $1.58bn, or $8.78, in 1988. This was after a $345m charge for future environmental expenses.

Mr Lodwrick Cook, Arco's chairman, said the return on equity had risen last year to 30.6 per cent from 26.1 per cent in 1988.

Mr Cook attributed the 1989 profits rise to higher worldwide crude oil and refined product prices, increased gas volumes and lower interest charges. He also highlighted a $634m after-tax gain from the sale of a majority stake in Lyondell Petrochemical Company last January.

American Brands lifts earnings

By Janet Bush

AMERICAN BRANDS, the consumer products and insurance group, reported record earnings in 1989 due to strong performances in each of its core businesses.

Net income rose 9 per cent to a record $631m from $580m the previous year. Earnings per share from continuing operations were up 20 per cent to $6.51 a share from $5.44 in 1988.

Revenues in 1989 totalled $11.92bn, slightly below the previous year's $11.98bn. However, this reflected less favourable sterling exchange rates and the absence of Southland Life, which was sold in March.

In the fourth quarter, American Brands achieved net income of $172m compared with $128m in the year-ago quarter, a rise of 34 per cent. Mr William Alley, chairman and chief executive, said that the company was performing well. "Over the past two years earnings per share have increased 47 per cent, our position has strengthened in all our major markets and we have substantially increased our competitiveness," he said.

One notable new trend in 1989 was the contribution made by the office products division.

Operating income from office products jumped 265 per cent to $97.1m in 1989 from $26.6m the previous year. Hardware and home products also made strides.

Worldwide, tobacco operating income increased 10 per cent to a record $909m; distilled spirits saw slightly lower revenues, but increased operating income; and reported operating income in the life insurance business fell 20 per cent to $154m. However, taking out the sale of Southland Life, income would have been up 25 per cent.

Citicorp may buy into troubled bank

By Alan Friedman

MR JOHN REED, chairman of Citicorp, the biggest US banking group, said he would like to bid for parts of the Bank of New England, the seriously troubled bank that last Friday reported a $1.2bn fourth-quarter loss and $2.25bn of non-performing loans.

The Boston-based bank, which has been hit by a worsening crisis in the real-estate sector, has been told by regulators from the Federal Reserve and the Office of the Comptroller of the Currency (OCC) to improve capital ratios and make drastic changes, including the sale of assets.

Among the more than $8bn of assets the Bank of New England is seeking to sell is some $670m of credit card receivables for which preliminary bids have been received by Goldman Sachs, which is advising the bank.

Although Citicorp would not say whether it was bidding for the credit card business, analysts on Wall Street believe this to be a distinct possibility.

Mr Reed yesterday said Citicorp had "been talking about possibly buying bits and pieces" of the Bank of New England. He added: "I'd like to see if we might not be able to do something."

Computer Associates rises modestly

COMPUTER Associates, one of the world's biggest independent software companies, yesterday reported a modest increase in third-quarter earnings, writes Karen Zagor in New York.

For the three months ended December 31, net income advanced 15 per cent to $70.5m or 38 cents a share on a fully diluted basis, from $60.6m or 33 cents a year earlier. Revenues in the quarter fell 4 per cent to $347.1m from $362.5m the previous year.

Last year's figures have been restated to reflect the company's acquisition of Cullinet Software, which was treated as a "pooling of interests" for accounting purposes. Computer Associates acquired Cullinet last June for $333m in stock.

Mr Anthony Wang, president, said: "The results for the quarter indicate that many of the issues affecting us earlier in the year are now behind us, that our business is healthy and that we are well positioned in the years to come."

World steelmakers forge new cross-border links

Nick Garnett reports on an industry's restructuring

The world's steel industry is trying to reforge itself. The process is slow and stumbling, but substantial numbers of joint ventures and outright takeovers are gradually reshaping parts of the industry's structure.

The agreement last month in which Nippon Steel of Japan took 13 per cent of the voting stock of Inland Steel of the US represented a further stage in this process.

It has been happening in the US through a series of joint ventures between Japanese and US steel producers and in Western Europe through similar cross-border deals between steelmakers.

The European deals were topped last year by two purchases – the acquisition of 70 per cent of West Germany's Saarstahl by Usinor-Sacilor (Sollac) of France and of Salzgitter by Preussag, a German metals and energy group. The steel trading arm of Klöckner was also bought by Viag, another German energy and chemicals company.

The importance of these cross-border arrangements should not be exaggerated. Some of the deals in Europe have occurred partly because it has proved difficult to arrange full-blown cross-border takeovers.

British Steel has been searching for a substantial partner in mainland Europe without success. It got nowhere in its attempt to link up with Klöckner & Co, the steel trader, last year when the German company was under the control of Deutsche Bank.

It now appears keen to try to encourage a link with Hoesch of West Germany. However, a guide to the problem of forging substantial partnerships in Europe came as early as 1982, when a pooling of resources by Hoogovens of Holland and Hoesch was disbanded.

It is also unclear how far the Japanese want to take their deals in the US. They are continuing to set them up, giving them a substantial stake in the US steel industry. But there is some suspicion that one or two of the Japanese suppliers are less than happy with such deals.

Nevertheless, the changes are significant. Two main factors have been in play in North America. Leading US steelmakers, most of which still have dated plant, despite three years of investment, have sought Japanese help with technology.

Research and development expenditure as a percentage of sales was 1.5 per cent in the Japanese steel industry in 1987, compared with a miserly 0.5 per cent in the US, according to PaineWebber, a New York analyst.

Meanwhile, Japanese companies have wanted greater access to the US market, particularly as suppliers to the growing number of Japanese car transplants.

All the big US integrated steelmakers, except Bethlehem, have forged such alliances, along with all five main Japanese integrated producers. The primary focus of these deals has been finished and semi-finished products.

Two themes have been at work in Europe. One is a series of small and medium-sized cross-border joint ventures in finishing capacity and the merging of interests in special and related steels. The other is the struggle of the West German steel industry to restructure itself, resulting in those three acquisitions.

These changes have emerged on top of a series of consolidations during the early and mid-1980s in several national steel industries. In Canada, Dofasco merged with Algoma, in France Usinor merged with Sacilor and in the UK a clutch of swap deals radically altered the industry's structure.

In the US, Nippon already had a 40 per cent share of a $400m cold rolling complex being built by Inland and a joint venture with Inland on a galvanising line before taking its direct stake in the Chicago-based company.

Underlining Japan's high technical capability, the cold rolling plant can finish a metal coil in one hour, compared with 12 days by the former method.

Nisshin has just opened a joint venture in zinc and aluminium coated sheet with Wheeling-Pittsburgh, in which it has a 10 per cent stake.

LTV, the second-largest US steelmaker, last year announced plans to build a $200m steel finishing mill in a joint venture with Sumitomo Metal. The two companies are already jointly operating an electro-galvanising plant in Cleveland.

Nucor, a scrap-based minimill, opened a beam plant in Arkansas with Yamato Kogyo and Kobe Steel has agreed to buy a USX steel and pipe works in Ohio.

This is on top of two big stakeholdings taken out earlier by the Japanese – the 50 per cent of National Steel acquired by NKK in 1984 and the 40 per cent of Armco (which already had a joint venture with Kawasaki) bought by Kobe.

Industry analysts believe these types of deals will continue in North America, though they are doubtful whether Japanese steelmakers, which have diversified significantly in Japan, will seek full takeovers of the bigger US companies. That would involve them in very costly capital expenditure at a time when US steel demand is falling.

Deals in Europe have usually been designed to achieve benefits of volume and wider markets, together with some opportunities for rationalisation. "It is a kind of rationalisation by stealth," says Mr Jonathan Aylen, a steel specialist at Manchester University.

A number of these involve Sollac. It has pooled its merchant bar and electrical sheet operations with Cockerill-Sambre of Belgium, its sheet piling and rail products with Arbed of Luxembourg and its reinforcing activities with Riva, the Italian private-sector producer. Its purchase of Saarstahl gave it nearly a quarter of the European Community's wire rod market and a substantial proportion of the engineering bar market.

Some production sharing agreements have been made between Arbed and Cockerill-Sambre, while Germany's Thyssen says it is close to signing two deals with other European steelmakers. Hoesch says it is looking to do the same in the medium term.

Rumours of other talks – for example, between Germany's Mannesmann and Italy's Finsider and between Vallourec in France and British Steel over tubes – also emerge from time to time.

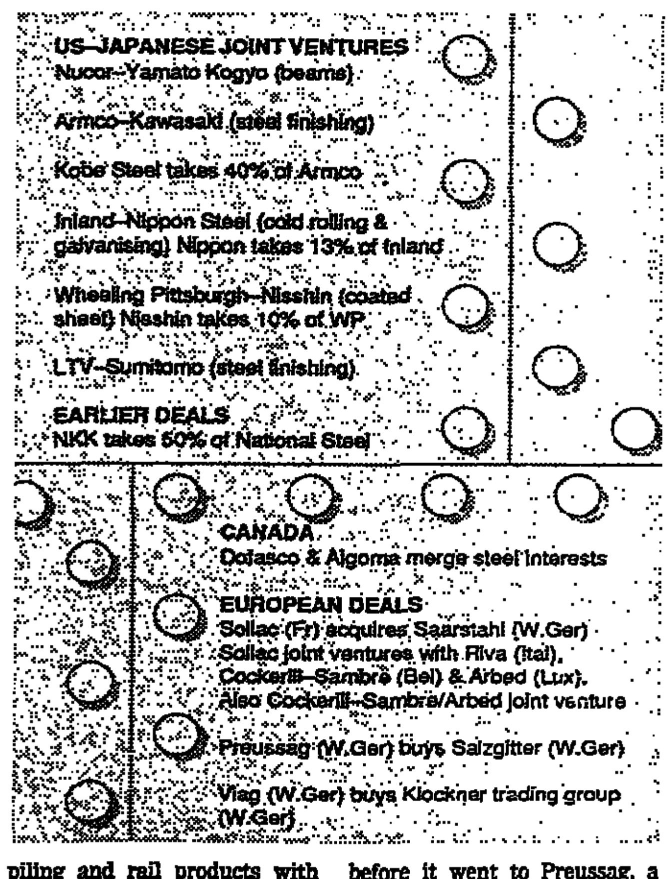
Purchase of the two German steelmakers has reduced opportunities for mergers among the country's big steel companies. Both Krupp and Hoesch had made pitches for Salzgitter before it went to Preussag, a non-steel outfit. Krupp and Klöckner have also discussed a merger from time to time in talks that came to nothing. Thyssen recently rebuffed an approach from Krupp.

Mr Ruprecht Vondran, chairman of the West German Steel Federation, says the expected downturn in steel demand across Europe this year will accelerate pressures for joint ventures and possible mergers.

A new force for change recently joined the game. South Korea's powerful steel industry has begun to spread its tentacles, first in a deal in California between Pohang and USX and then with the purchase last year of Rio Algom's speciality and stainless steel business in Canada by Korea's Sammi Steel.

A sign of the speed at which the Korean industry has developed is that the latter deal makes Sammi the world's largest speciality steelmaker.

Recent cross-border deals in the steel industry



INTERNATIONAL COMPANIES AND FINANCE

Intel opts for the Japanese d-ram

By Louise Kehoe in San Francisco

INTEL, one of the leading US chip makers, has formed a joint venture with NMB Semiconductor of Japan to manufacture and sell dynamic random access memory (d-ram) chips.

The deal comes just one week after US semiconductor industry leaders abandoned plans to form US Memories, a $1bn collaborative d-ram manufacturing venture, after failing to win the support of US computer makers.

The two ventures represent very different approaches to reducing the dependency of the US computer industry on foreign chip suppliers. Japanese manufacturers hold more than 80 per cent of the world market for d-rams.

Intel has adopted a pragmatic, rather than nationalistic, approach to reducing the dependency of the US electronics industry on Japanese suppliers.

Under the terms of Intel's arrangement with NMB, the Japanese company will produce d-rams, which will carry Intel's name, at its highly automated plant in Tateyama, Japan, and eventually at a new manufacturing site in the US.

Intel will have exclusive rights to market and sell NMB's total production output worldwide.

Intel/NMBS D-rams Fabrications Company, as the joint venture's management company is cumbersomely titled, will be majority owned by Intel.

The companies did not disclose financial details, except to say each company has acquired a "nominal" equity stake in the other "as an expression of goodwill."

The agreement is the latest in a series of US-Japanese semiconductor alliances involving the memory chips. In 1986 Motorola formed a joint venture with Toshiba, in which the US company swapped its microprocessor technology for Toshiba's memory chip designs and the two companies established a joint venture in Japan.

More recently Texas Instruments, one of the few remaining US d-ram manufacturers, agreed to collaborate with Hitachi in developing d-ram chips.

For Intel, the joint venture with NMB represents an opportunity to re-enter the D-ram market without the outlay of at least $250m to build its own d-ram manufacturing plant.

Instead, the US company will simply purchase all of NMB's chips and resell them to its computer industry customers, several of whom already buy from NMB.

Mr Gordon Moore, Intel chairman, said NMB would shoulder the burden of investing in expanded production capacity, both in Japan and in the US. "In effect this will give us access to the lower cost capital that Japanese companies enjoy," he added.

NMB will also be responsible for the development and production of the next generation of d-rams, although Intel, as its sole customer is likely to exert a strong influence over its product plans.

Mr Moore said it had planned to form the joint venture with NMB whether or not US Memories had gone ahead with its plans to establish a major new American d-ram manufacturing company. Intel had been a staunch supporter of the US Memories plan.

The joint venture "is another effort to respond to the US computer industry's critical need for new US-controlled sources of d-rams," said Mr Moore.

"Intel will become a major supplier of d-rams" over the next year, he added.

Ironically, Intel invented the d-ram in the late 1970s, but, along with several other US chipmakers, withdrew from the market in the mid-1980s in the face of severe Japanese competition.

NMB, whose principal shareholder is the ball bearing group Minebea, was formed in 1984. Unlike established Japanese chip producers, it is not affiliated with an industry group and has been regarded as a maverick within the Japanese electronics industry.

Nonetheless, NMB has won worldwide recognition for its highly automated chip production processes.

The company's plant in Tateyama, Japan, is "the most highly automated semiconductor plant I've ever seen," said Mr Moore.

NMB is manufacturing 256K d-rams and one megabit D-rams and is constructing a factory in Japan to make latest four megabit d-rams. Later, NMB plans a US d-ram production plant.

During the 1988-89 worldwide shortage of d-ram chips, NMB quickly established itself as a supplier. Recently, however, as d-ram supplies have become more plentiful, NMB has faced more difficult market conditions.

SHINKO HUMAN Create (SHC), a unit of Kobe Steel, has bought the computer-assisted instruction (CAI) division of Control Data of the US for an undisclosed sum, Reuter reports from Tokyo.

SHC will use and sell Control Data-developed basic software in Japan.

Bond Corporation wins injunction on noteholders

By Chris Sherwell in Sydney

BOND CORPORATION of Australia, under siege from various creditors, yesterday won an injunction preventing US holders of notes issued by its brewing company from pressing for it to be wound up.

In a decision which could give the Perth-based group a breathing space, the Western Australian Supreme Court halted action by US creditors seeking a US$32m interest payment and repayment of US$510m in principal by Bond Brewing Holdings.

[However, the US investors later yesterday sought a liquidation of Swan Brewery, part of this unit, AP-DJ reports from Perth.]

Bond Corp said Swan was served with a Section 364 notice under Australian company law by holders of its debentures.

The original move against Bond Brewing began on January 15 and gave 21 days to make the payments or face a wind-up petition. Bond Brewing argued that it was prevented from making the interest payment, due on January 1, by the appointment on December 29 of receivers to it.

That appointment was won by a bank syndicate through an application to the Victorian Supreme Court. The Bond group is currently challenging the appointment.

Lawyers for the syndicate, which is owed A$880m by Bond Brewing, yesterday began concluding submissions.

High alumina prices lift Alcoa Australia to record

By Chris Sherwell

HIGHER ALUMINA prices have helped produce a 76 per cent increase in after-tax profits for Alcoa Australia, the subsidiary of the US company which is also 43.7 per cent owned by Western Mining.

Figures for the year to December, released yesterday, showed record earnings of A$742.9m (US$591m), up from A$421.3m the previous year, on the back of total revenues which rose 49 per cent to A$2.83bn.

Of this, export revenues were almost A$2.4bn, double the level of two years ago. Return on average shareholders' funds was 46.6 per cent, making 21.2 per cent over the past five years, which the directors called "satisfactory."

The company attributed its improved performance in 1989 to higher alumina prices, increased shipments of aluminium and alumina, operation of its gold mine at Hedges in Western Australia, which produced 156,000 ounces, and a rise in interest earned on short-term investments.

Looking ahead, the company said aluminium prices had weakened but remained the second highest on record during 1989. Alumina prices, while below their 1989 peaks, were also high.

Because of the falls and the strong Australian dollar, directors said it would be difficult to repeat the 1989 performance. Results for 1990 would be satisfactory, they predicted.

INTERNATIONAL CAPITAL MARKETS

Co-operatives lead restructuring

Haig Simonian looks at the changing face of West German banking

Last year could hardly have ended differently for two of the three groups which, together, make up the triangular structure of West German finance.

While the co-operative banks, which account for around 20 per cent of the total assets of West German financial institutions, almost effortlessly moved closer to simplifying their cumbersome three-tier system by dismantling the middle layer, the country's public-sector banks singularly failed in their own slimming down.

Co-operative banking in Germany is based on three linked, but independent layers. At the top is Deutsche Genossenschaftsbank (DG Bank), Germany's eighth biggest financial institution with total assets of DM133bn ($77.3bn) at end-1988. At the bottom are 3,243 retail co-operative banks, which range from tiny high street units to sizeable banks in their own right.

Between them come five regional central banks. They pool resources for the local co-operatives, provide certain central services, and pass on surplus liquidity to DG Bank in Frankfurt.

The number of regional banks has shrunk from 18 in the 1960s through a mixture of rationalisation and forced acquisitions, which have resulted in a gradual increase in power for DG Bank at the top of the pack.

Completely eliminating the middle tier, as championed by Mr Helmut Guthardt, DG Bank's doughty chief executive, would boost its role still further. Mr Guthardt has argued that the co-operative system has to be rationalised if his bank is ever to compete on equal terms against quoted rivals like Deutsche Bank and Dresdner Bank.

DG Bank's star has already risen fast from the days when the bank was little more than a receptacle for the co-operatives' spare cash. Today, it is a fully-fledged universal bank, offering a range of services generally on a par with its quoted competitors.

Mr Guthardt says the process has not gone far enough. With 1992 round the corner, he has emphasised the co-operatives' need for a bigger international presence and for better coverage in esoteric but increasingly important areas like investment banking and mergers and acquisitions.

Hence his campaign for DG Bank to absorb the middle co-operative tier, concentrating resources on DG Bank and leaving just it and the local co-operatives in a structure much closer to that of its quoted competitors. A batch of meetings last month has brought Mr Guthardt much closer to his target.

Two of the five regional co-operatives — Norddeutsche Genossenschaftsbank, based in Hanover, and the much smaller Kessel-based Raiffeisen-Zentralbank Kurhessen — formally transferred their business to DG Bank as of December 31, swelling its total assets to around DM150bn and lifting it two places in the German banking league.

With Südwestdeutsche Genossenschafts-Zentralbank, another regional central bank, likely to follow suit later this year, that only leaves two regional units, Westdeutsche Genossenschafts-Zentralbank in Düsseldorf and the Stuttgart-based Genossenschaftliche Zentralbank, to go.

Both are big, and both are vehemently opposed to Mr Guthardt's plans. But the latest mergers already mean that around half of the country's co-operatives work on a two-tier basis.

Just as Mr Guthardt was getting his way, Germany's public-sector bankers were coming up with a very different story for their president, Mr Helmut Geiger. In spite of accounting for around 48 per cent of the total assets of the country's banking system, the role of the public-sector banks has been steadily eroded, especially as far as big corporate clients are concerned.

Helmut Guthardt: drawing closer to his target

Like the co-operatives, they have been trying to streamline their cumbersome structure, which involves some 584 local, municipally-owned savings banks of varying size and 11 Landesbanken (state banks), which represent them in the wholesale markets at state level. Mr Geiger has long called for a simplification of the top-heavy movement, particularly as far as the Landesbanken are concerned.

His latest plan, based on a study produced last summer by McKinsey, the consulting group, called for improved co-operation — notably between local savings banks and the Landesbanken — in order to pool resources and offer a more professional service, especially in up-and-coming areas like investment and international banking. And rather than 11 expensive and often-competing Landesbanken, the study recommended just one body.

While the need for change is broadly accepted throughout the movement, implemention is another matter. No executive of a Landesbank, which is normally co-owned by regional savings bank associations and the state government, wants to vote himself out of a job.

And with prestige and the polls at stake, few state governments are ready to sacrifice "their" Landesbank, no matter how small or inefficient. The Bavarians have been most vocal in opposing the proposals. Independent-minded Munich politicians have been loath to concede any changes which could erode the regional role and identity of Bayerische Landesbank. Some other state governments have used legal niceties to mask their often similar views.

In spite of backing Mr Geiger's plan, the state government of North Rhine-Westphalia, the home of Westdeutsche Landesbank (WestLB), Germany biggest Landesbank, argued strongly against the legalities.

The simplest way to realise the plan would be to use Deutsche Kommunalbank-Deutsche Girozentrale (DGZ), the small Frankfurt-based wholesale bank jointly owned by the Landesbanken and savings banks, as the legal vehicle through which the Landesbanken could gradually combine their businesses.

The North Rhine Westphalian government disagreed. For some observers, its objections may have been based as much on a belief that WestLB would be a more suitable focal point for Landesbanken concentration than on finer legal points. The Düsseldorf-based bank has already shown a marked willingness to go it alone in leading the public-sector banks out of their dilemma.

After trying unsuccessfully to merge with Frankfurt-based Hessische Landesbank (Helaba) in 1988, WestLB shocked its neighbours late last year by announcing a wide-ranging co-operation agreement with Standard Chartered of the UK. With Mr Geiger's plan in tatters, WestLB again appears the obvious pillar on which to build a single Landesbank.

However, many of its counterparts are now looking to regional groupings instead. Bayerische Landesbank is in talks with Landesbank Rheinland-Pfalz, its smaller cousin from Mainz.

Meanwhile, the government in the north German state of Lower Saxony may be tempted to follow the example of the authorities in Hesse, home of Helaba, and wash their hands of their Landesbank altogether by selling their stake to the region's savings banks.

Such an approach hardly addresses the basic problems facing the public-sector banks. Indeed some Landesbank executives feel it makes matters worse by weakening the Landesbank at the expense of local savings banks, rather than the opposite, which is what they recommend.

But simplifying ownership does at least have the advantage of reducing the number of participants in any new negotiations. With only three regional co-operative banks left to tackle, Mr Guthardt is quietly smiling.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	98¼	98½	-0⅛	-0¼	8.94
Alberta 9¾ 95	600	101¾	102⅛	-0⅛	-0¾	8.90
Austria 9⅛ 93	140	101¾	102¼	-0⅛	-0⅝	8.85
B.F.C.E. 8¾ 94	175	98⅛	98½	-0⅛	-0½	8.80
B.F.C.E. 9¼ 95	150	101¼	101¾	-0⅛	-0⅜	8.90
Brit. Tel.-Fin. 9⅜ 98	250	101⅛	101⅝	-0⅛	-1⅛	9.13
Canada 9 96	1000	101⅝	102	-0⅛	-0⅝	8.64
C.C.C.E 9¼ 95	300	101¼	101⅝	-0⅛	-0⅞	8.89
C.N.C.A 9¾ 93	150	†100⅝	101⅛	0	-0½	9.06
Credit National 8¾ 93	200	†98⅜	98⅞	0	-0½	8.73
Credit National 7⅞ 92	100	97	97½	0	-0⅛	8.74
Credit National 9½ 92	160	†101½	102	0	-0½	8.79
Dai-Ichi Kan 9⅜ 92	150	101⅛	101½	0	-0⅜	9.03
Denmark 8¼ 94	150	†97½	97⅝	-0⅛	-0¼	8.95
E.E.C. 7 91	100	97⅛	97⅝	+0⅛	-0⅛	8.56
E.E.C. 10 93	140	†102⅞	103¼	-0⅛	-0½	8.85
E.I.B. 8½ 99	150	96⅝	97	-0⅛	-0⅞	9.00
Eurofima 10⅛ 93	100	†103⅛	103½	-0⅛	-0¾	8.88
Elec.De France 9 98	200	99¾	100¼	-0⅛	-1¼	8.99
Elec. De France 9½ 99	200	†102⅛	102⅝	-0¼	-0⅞	9.12
Finland 9 96	250	100⅛	100½	-0¼	-0⅞	8.93
Finn.Exp.Cd. 8½ 92	200	99	99½	0	-0½	8.88
Finn. Exp. Cd. 9⅝ 95	200	101½	101⅞	0	-0⅝	8.96
Ford Motor Credit 8 91	250	†98½	99	-0⅛	-0⅜	9.13
Gen.Elec.Cap.Corp. 9 93	500	†100⅜	100⅞	-0⅛	-0⅜	8.78
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅜	101⅞	-0⅛	-0⅛	8.90
G.M.A.C. 8¾ 94	500	†97⅝	98⅛	-0⅛	-0⅜	9.30
G.M.A.C. 9 96	300	98½	99	-0⅛	-0⅝	9.24
Gen.Mtrs.Corp. 9⅛ 92	200	100⅛	100½	-0⅛	-0⅜	8.96
IBM Credit Corp. 8⅝ 92	400	99⅜	99¾	-0⅛	-0½	8.81
IBM Credit Corp. 8⅞ 91	250	99¾	100¼	0	-0¼	8.83
IBM Credit Corp. 9 92	250	100¼	100¾	0	-0⅜	8.72
IBM Credit Corp. 9½ 92	250	100⅞	101⅜	-0⅛	-0⅜	8.86
Italy 8½ 94	1500	98⅜	98¾	-0⅛	-0¾	8.88
Italy 9½ 95	1000	102⅛	102¾	-0⅛	-0⅜	8.92
Italy 9⅝ 99	1000	102¾	103	-0¼	-1⅛	9.14
Itoh C. W/W 4⅝ 94	1000	110¼	111½	-0⅞	+2¾	2.02
Japan Dev. Bank 10 96	200	104½	104⅞	-0¼	-0⅜	8.99
KFW Intl. Fin. 9 94	300	100	100⅜	-0¼	-0⅞	8.94
L.T.C.B.of Japan 9¼ 92	200	100⅛	100⅝	+0⅛	-0⅝	9.06
New Zealand 9 94	850	99⅛	99½	-0½	-0⅜	9.18
Nippon Tel.&Tel. 9⅜ 98	250	101⅜	101¾	-0¼	-1	9.11
Norway 8¾ 93	300	99⅞	100⅜	0	-0½	8.69
Portugal 8¾ 92	300	†98⅝	99⅛	0	-0¼	9.26
Sumitomo Corp. W/W 4 93	1500	†117½	119	+0¼	-0⅝	-1.19
Sweden 8¾ 96	200	99⅝	99¾	-0⅛	-0½	8.85
Toyota 9½ 91	200	100¾	101⅛	0	-0⅜	8.89
Toyota Mtr.Corp. W/W 4 93	1500	104⅞	106⅛	+0½	+2¼	2.28
Victorian Rep 11⅛ 92	150	104⅛	104⅝	-0⅛	-0½	9.34
World Bank 8⅜ 99	1500	97⅞	98⅛	-0⅛	-1	8.68
World Bank 9 97	300	100⅛	100⅝	0	-0⅜	8.91
World Bank 9 93	300	100⅞	101¼	-0⅛	-0½	8.62
World Bank 9¼ 98	300	101¼	101⅝	-0⅛	-1	9.01
World Bank 9⅝ 99	500	103½	103¾	-0¼	-0⅞	9.02
World Bank 9¾ 96	300	†103⅜	103⅞	-0⅛	-0⅜	8.93

Average price change... On day -0⅛ on week -0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	90¾	91⅛	-0½	-0⅝	8.34
Austria 6¾ 99	750	†90⅞	91⅛	0	-0¾	8.17
Bk.Frgn.Econ.USSR 7 96	750	*†90¼	91¼	0	-1½	9.01
Bank of Tokyo 5¾ 93	100	93	93½	-0¼	-0¾	8.30
Commerzbank o/s. 5⅛ 93	300	93½	94	-0⅜	-0⅜	7.82
Credit Foncier 6¾ 99	500	†91	91¼	0	-0¾	9.21
E.I.B. 6¼ 99	600	87⅞	88¼	0	-0¼	8.18
E.I.B. 6½ 99	300	†91½	92	-0¼	-0½	7.79
E.I.B. 6⅝ 96	600	94⅛	94⅝	-0⅛	-0⅜	7.79
E.I.B. 6⅞ 95	300	94⅜	94⅞	0	-0⅛	8.06
E.I.B. 8 2000	500	99½	99¾	0	0	8.05
Euro.Coal& Steel 5⅞ 97	175	87¼	87¾	-0⅛	-1	8.28
Euro.Coal& Steel 7¾ 94	100	†101¼	101¾	-0⅛	-0⅛	7.37
Eurofima 6¼ 96	100	92¼	92¾	0	+0½	7.77
Elec De France 5¾ 97	300	86½	87	0	-2½	8.20
Hydro-Quebec 6¾ 99	300	†90⅜	90⅞	-0⅛	-1⅛	8.24
Japan Dev. Bk. 5⅜ 95	300	†87½	88⅛	0	-0⅝	8.30
Japan Finance 5¾ 97	100	86⅝	87⅛	-0⅛	-0¼	8.27
I.A.D.B. 7¼ 99	300	94¼	94⅝	0	-0¼	8.12
Ireland 6½ 97	300	90½	91	+0¼	0	8.23
Ireland 7¼ 99	500	93¼	93¾	0	-0⅞	8.26
Malaysia 6¼ 94	150	95¾	96¼	-0⅝	-1	7.32
Nat. West BK. PLC 6 98	300	†87¼	87¾	-0⅜	-0¼	8.13
Nippon Telg.&Tel. 6 95	400	†90¾	91¼	-0⅛	-1	6.73
Oesters. Kontbk. 5 93	300	91¾	92¼	0	+0¼	8.09
Portugal 5¾ 92	150	93⅞	94⅜	0	-0⅜	8.40
Portugal 6⅝ 95	150	93⅛	93⅝	0	-0⅜	8.15
Royal Insurance 5½ 92	300	94	94½	0	+0¼	8.44
Turkey 6½ 95	500	†90⅛	90⅝	-0¼	-0¼	8.84
Union Bk.Finland 5½ 94	200	†90¾	91¼	-0⅜	-0½	8.24
World Bank 6 98	500	†86½	87	0	-0¼	8.15
World BK. 6¼ 97	600	89¼	89⅝	0	-1	9.26
World Bank 6¾ 99	600	90⅝	91	0	-0⅜	8.16

Average price change... On day -0⅛ on week -0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†86	87	0	+0¼	7.70
Asfinag 5 03	100	†82	82½	+0½	+0⅝	7.07
B.F.C.E. 4⅛ 98	200	†84½	85	0	-0⅜	6.94
B.M.W.Fin.Neth. 5 13	150	†78	80	-0⅞	-1⅛	6.82
Britannia B/S. 4¼ 94	100	†83¾	84	-0⅛	+1⅞	8.84
CIR. Int. W/W 3 93	125	†83	83¼	0	-3	8.82
Credit Lyonnais 4⅞ 00	100	†77½	78	-1	-2¼	7.98
E.I.B 4⅝ 98	150	†84	85	+1	+1	7.13
Finn. Exp. Cd. 8¼ 92	75	†99½	100	0	+1	8.33
Fletcher Chall. 4⅞ 98	150	†72½	74	-0⅞	-1⅛	9.75
I.A.D.B.-6 2004	200	†90¼	91	0	+0⅛	7.04
Kobe City 4⅝ 98	150	†82½	83	0	0	7.44
Leeds Perm. B/S. 4⅛ 93	200	†87½	88¼	-0⅛	-0¼	8.57
Malaysia 5¼ 98	100	†80½	80¾	-1	-0⅜	8.55
Maxwell Comm.Crp. 5 95	150	†82	84	-0½	-0⅛	9.11
Nat.Bk. Hungary 5½ 94	75	†88	90	+0½	0	8.32
Nationwide Ang.B/S. 4 93	200	†86¼	87	0	-1⅞	8.70
Prov. Newfoundland 5 03	150	†80	81	-0½	-0⅜	7.27
Thailand 4⅝ 95	200	†82	84	+0½	-0½	8.65
World Bank 5 03	150	†82	83	+0½	-0¼	7.04

Average price change... On day -0⅛ on week -0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99¼	99½	0	0	6.73
Canada 5⅝ 93	80	96⅛	96⅝	0	0	6.77
Eurofima 5 1995	20	91⅜	91⅞	-0⅛	-0½	6.95
E.I.B. 4⅞ 93	30	94⅝	94⅞	-0⅛	0	6.80
Ireland 5⅛ 93	30	93⅝	94⅛	-0⅛	0	7.29
Norway 5⅛ 95	50	92⅝	92⅞	0	-0⅛	6.82
Sweden 4⅝ 93	50	93¾	94	-0⅛	0	6.74
World Bank 5⅛ 98	10	89⅛	89⅜	-0⅜	-2⅛	6.87
World Bank 7 94	20	100⅛	100⅞	0	-0⅛	6.81

Average price change... On day 0 on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	96⅝	97⅛	+0⅜	+0¼	11.12
Abbey Nat. 11⅝ 93 £	100	93⅞	94⅜	-0¼	-0⅞	14.13
Aegon 7¾ 92 FL	100	98¼	98¾	0	-0¼	8.03
Alg. Bk. Ned. 5¾ 93 FL	200	92¼	92⅝	0	-0⅝	8.61
Austria 7½ 94 ECU	100	91	91½	0	+0⅛	10.16
Barclays Aus.13½ 91 A$	100	97⅛	97⅝	+0⅜	+0¼	15.21
Belgium 8⅛ 94 Ecu	150	91⅞	92⅜	-0¼	-0⅜	10.58
Bell Canada 10⅞ 04 C$	200	99⅜	99⅞	+0⅛	-0½	10.91
BP Capital 9¾ 93 £	100	89⅜	89⅞	-0¼	-1¼	13.92
British Airways 10 98 £	100	85½	86	+0¼	-1⅝	12.93
Brit. Telecom 9½ 93 £	150	89⅞	90⅜	-0¾	-1¼	13.60
Comm.Bk.Aust. 12⅝ 93A$	100	†93⅞	94⅜	+0⅝	+0½	14.91
Comm.Bk.Aus.13¾ 94 NZ$	60	103⅝	104⅝	-0⅛	-0⅛	12.45
Credit Foncier 9 96 Ecu	100	94¾	95¼	-0¼	+0⅛	10.07
CrLocalFrance 9¼ 92Ecu	100	97½	98	0	-0⅛	10.31
Deut.Bk.Aus. 13⅞ 93 A$	125	98⅞	99⅜	+0¼	+0⅜	13.65
Deutsche Bk.Fin. 15 94 A$	100	102½	103⅛	+0¼	0	14.04
Elec.De France 9¾ 99C$	150	93¾	94¼	+0⅛	-0⅜	10.76
E.I.B. 7 96 LFr	100	*†95¼	95¾	0	0	8.02
E.I.B. 7⅛ 99 FL	150	91	91½	0	-0⅞	8.48
E.I.B. 9 99 Ecu	150	94⅜	95	-0⅜	-0½	9.90
Eurofima 7⅝ 94 Ecu	100	91⅜	91⅞	0	+0⅜	10.27
Export Dv.Crp.8¾ 92Ecu	100	96⅜	96⅞	-0⅛	0	10.46
Fed.Bus.Dv.Bk. 9 94 Ecu	100	95	95½	0	-0⅛	10.36
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97⅜	97⅞	0	+0⅛	10.88
Ferrv. Stato 7¾ 93 Ecu	100	†91¾	92¼	-0⅛	+0⅛	10.67
Ford Cr.Can.10¼ 93 C$	100	†99	99½	0	-0¼	11.04
Ford Cred.Can.10⅞ 96C$	125	98½	99⅛	-0⅛	-0⅛	11.15
Ford Cred.Fund.10¾ 93£	60	91⅜	91⅞	-0¼	-1¾	13.68
G.M.A.C.Canada 11 3/494C$	100	101⅜	101⅞	+0⅛	+0¼	11.21
Heineken 7⅝ 94 FL	150	97	97⅜	0	-2	8.01
Hydro-Quebec 11 99 C$	400	100⅛	100⅝	-0¼	-0⅜	10.90
Lloyds Bank 10¼ 98 £	150	86¼	86¾	0	-2	13.02
Lloyds Bank 11⅜ 98 £	100	90⅛	90⅜	-0⅞	-1⅞	13.30
Nat. Aus. Bk. 14⅜ 94A$	100	99¾	100¼	+0½	+0⅛	14.73
New Zealand 9½ 93 £	100	89⅛	89⅝	-0⅛	-1⅛	13.71
O.E.K.B. 10¾ 99 C$	150	96⅜	97	0	-0¼	10.81
Royal BK.Scot.10⅝ 98 £	125	88⅝	89⅛	-0⅛	-1⅜	12.94
Saskatchewan 10¾ 93 C$	200	98	98½	+0¼	+0¼	10.81
State Bk.NSW. 13⅞ 93A$	100	†97⅝	98⅛	+0½	+0¼	14.59
Sweden 7½ 93 Ecu	250	91	91½	-0⅜	-0⅜	10.38
Sweden 15 94 A$	100	101¾	102⅜	+0¼	-0⅛	14.28
Toyota Mtr.Cr.10⅜ 94C$	150	97⅞	98⅜	+0¼	+0¼	10.86
Toyota Mtr.Cr.11⅜ 92C$	150	100⅜	100⅞	+0⅛	+0⅛	10.99
World Bank 7⅛ 99 FL	300	91	91½	0	-1	8.51
World Bank 10⅞ 94 £	200	92⅞	93⅜	-0¼	-1½	12.95
World Bank 13⅜ 92 A$	100	101	101⅜	-0½	-0⅞	12.72
World Bank 14¼ 94 A$	75	100½	101	+0¼	-0⅜	13.95
Zentrspk. 13¼ 93 A$	75	†96⅜	96⅞	+0⅛	-0⅜	14.43

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.92	99.97	24/01	15.21
Bank of Greece 99 US	0¼	99.45	99.55	8/03	9¼
Belgium 91 US	0	100.11	100.21	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.83	99.88	28/02	15.31
Credit Foncier 98 US	.063	99.85	99.95	20/04	8.31
Dresdner Finance 99 DM	.031	100.18	100.28	28/01	8.16
EEC 3 92 DM	0	100.19	100.28	22/02	6¼
Halifax BS 94 £	.1	100.02	100.07	9/02	15.16
Invt. in Industry 94 £	0⅛	99.95	100.05	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	15/01	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.89	99.94	29/03	15¼
New Zealand 5 97 £	.07	100.01	100.11	22/02	15¼
Northern Rock 92 £	0½	99.87	99.92	20/01	5¼
State Bk. Nsw. 98 US	.188	100.04	100.14	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.98	100.03	15/01	15.37
Woolwich 5 95 £	0⅛	100.00	100.05	22/02	15.31

Average price change... On day -0.01 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	109⅛	109⅞	-2¼	6.49
Amer. Brands 7¾ 02 US	9/87	56.7	115⅛	115⅞	-0⅛	1.33
CBS. Inc. 5 02 US	4/87	200.	95¾	96	-0⅜	9.91
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	89⅞	90⅞	-1½	8.13
Primerica 5½ 02 US	4/87	66.75	73⅞	74⅝	-0⅞	79.38
Eng.China Clay 6½ 03 £	9/88	4.8	95	95⅞	-0⅛	3.11
Fujitsu 3 99 US	5/84	1106.	216½	217½	+3½	0.56
Ladbroke Grp. 5⅛ 04 £	6/89	3.55	100	100¾	-1⅛	13.48
Land Secs. 6¼ 02 £	6/87	6.72	87⅝	88⅝	-0¼	16.35
Minolta Camera 2¼ 94DM	2/86	1004.	108½	109¾	+0⅝	8.31
MCA Inc 5½ 02 US	†9/87	69.62	95¾	96¼	-0½	18.09
Mitsubishi Bk. 3⅛ 04US	5/89	3266.	87⅛	88⅛	+1	7.10
Next Plc 5¾ 03 £	11/87	4.3	95¾	96½	-0¼	335.09
Nipp.Bk.2⅞ 03 US	4/88	804.	138½	139½	+2½	-1.97
Qualcom Inc. 6 1/2% 04 US	10/89	28.	103¼	104	0	19.01
Onyron Tateisi 2⅝ 02 US	†4/87	1310.	275	276	-1	-0.18
Ranks Hovis 4¾ 03 £	1/88	3.5	125¼	126¼	-2	-0.77
Redland 7¼ 02 £	†1/87	5.6	108	108½	+0¼	1.84
Saatchi&Satchi 6¾ 03 £	†10/89	4.41	85	86	-0¼	54.53
Silicon Graphics 8 04 US	†6/89	23.18	129½	130½	-0⅛	2.15
Sumitomo Bank 3⅛ 04 US	2/89	3897.	81	82	0	7.23
Texas Inst. 2¾ 02 US	9/87	82.87	77	77¾	-0¼	91.42
Utd.N'papers 8 04 £	10/89	8.77	120¼	121	-1⅛	141.39
W.R. Grace 6½ 02 US	9/87	42.12	90½	91⅛	-0⅛	29.41

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Savings banks launch three joint funds

By George Graham in Paris

EUROPE'S savings banks have pooled their skills to launch three joint mutual funds, to be managed in partnership and marketed throughout the continent.

A group of 15 savings institutions, led by France's Caisse d'Epargne-Ecureuil network, plans to market the funds from March onwards, although regulatory difficulties will delay their introduction in West Germany and Italy. The group, to be known as Eufigest, speaks for 271m account holders, with 52,000 bank outlets.

Besides the Caisses d'Epargne in France, the group ranges from Belgium's ASLK-CGER, the largest savings bank in the European Community with Ecu22bn of deposits, to the TSB group in the UK and Caixa Geral de Depositos in Portugal, as well as one non-EC institution, Sweden's Robur.

Mr Jean-Pierre Thiolon, executive chairman of France's Centre National des Caisses d'Epargne, said that the 15 institutions had agreed to set up three separate mutual funds, legally resident in Luxembourg and denominated in Ecus, but marketed in each country's domestic currency.

The first fund, to be called Eufi-Cash, will aim for short term-money market investment and will be managed by Ecureuil Gestion, the fund management offshoot of the Caisses d'Epargne. Eufi-Rent, a bond fund, will be managed by Cariplo, the Italian savings bank, while Eufinvest, the equity fund, will be managed by ASLK-CGER.

Treasuries defensive following Refcorp sale

By **Janet Bush** in New York and **Martin Dickson** in London

US TREASURY bonds remained on the defensive yesterday, and then fell in late trading after a very disappointing auction of $5bn of 40 year Resolution Funding Corp bonds, sold to finance the bail-out of the thrift industry.

GOVERNMENT BONDS

In late trading, short-dated maturities were quoted around ¼ point lower while the benchmark long bond was down ⅝ point lower to yield 8.35 per cent.

There was no great concern about demand for the Refcorp issue before the actual sale because it offered a fairly good spread above 30-year issues and was deemed attractive for some pension funds.

The average yield was 8.60 per cent, but Refcorp had to accept bids as high as 8.65% to sell the issue, suggesting very weak demand. Today the market must digest $10bn of two-year notes as well as next month's quarterly refunding.

The glimmer of hope on Monday that the US Federal Reserve may have been easing, yesterday disappeared. The Fed drained when Fed funds were quoted at 8 ¼ per cent through two-day matches sales.

■ Australian government bond prices rose sharply yesterday after the Government took the market by surprise with a decision to ease monetary policy and cut interest rates.

In heavy trading, the benchmark 12 per cent of July 1999 closed at a yield of 12.78, compared to an overnight level of 12.92, after moving as low as 12.70 during the day. At the short end, the May 1993 closed at 13.49, against 13.80.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-15	-1/32	12.51	12.10	11.27
		10.500	5/99	95-15		11.28	11.03	10.51
		9.000	10/08	88-10	+2/32	10.30	10.11	9.64
US TREASURY *		7.875	11/99	97-06	-5/32	8.30	8.19	7.82
		8.125	8/19	97-15	-18/32	8.36	8.25	7.90
JAPAN	No 111	4.800	6/99	89.3690	+0.079	6.64	6.70	5.76
	No 2	5.700	3/07	93.8146	+0.305	6.46	6.47	5.67
GERMANY		7.000	9/99	94.8800		7.77	7.69	7.18
FRANCE	BTAN	8.000	10/94	91.5313	-0.099	10.33	10.20	9.74
	OAT	8.125	5/99	91.1000	-0.060	9.59	9.51	9.11
CANADA *		9.250	12/99	95.93	-0.27	9.91	9.83	9.47
NETHERLANDS		7.500	11/99	94.6300	+0.250	8.32	8.12	7.61
AUSTRALIA		12.000	7/99	95.9550	+1.147	12.74	13.05	13.07

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

In late trading in London, the yield on the 12 per cent 1999 was off two further basis points, at 12.76.

■ Gilts had a lacklustre day of directionless trading, with very little retail interest. The market opened slightly easier, attempted a morning rally and then drifted lower, before recovering to close little changed on the day. In late trading the benchmark 11¾ Treasury stock due 2003/07 was quoted at 106⅝, up ⅛ on the day, for a yield of 10.85.

Much of the day's activity was led by the futures market, where fears of Japanese selling was a prominent bearish factor. The March long gilt closed at 87.24, after a high of 88.05 and a low of 87.12, and an overnight level of 87.25.

■ West German Government bonds drifted in a listless market for most of the day. A morning rumour – which appeared unfounded – of a wage agreement involving the metal workers union led to a brief rally during the morning, but the market closed around the previous night's level.

The Federal Government's 7¼ per cent January 2000 bond was fixed at 96.86 on Tuesday from 96.90 on Monday. Its yield was unchanged at 7.71 per cent.

Deutsche Terminbörse to shorten trading hours

By **Katherine Campbell** in Frankfurt

JUST DAYS before the keenly watched opening of the Deutsche Terminbörse (DTB), West Germany's fully-automated options and futures exchange, it has been revealed that the market will open later, and close earlier, than originally planned.

Originally slated to function between 10.00am and 4.00pm, it was decided earlier this week that initial DTB hours would be curtailed to between 10.30am and 3.00pm. The opening thus coincides with the recent one hour earlier start on the Frankfurt Stock Exchange, and trading will halt only an hour and a half after that on the cash market.

The DTB says the decision to start with slightly less ambitious opening hours will allow members more time to hone their systems, and introduce traders more gently to screen work.

However, the alteration is also substantially a function of the extremely modest volumes that have been put through Ibis (Interbank information system), the new price quotation system for over-the-counter share trading developed by the big domestic banks. Ibis has had a slow start since its launch at the beginning of December, and hence reliable price data about the underlying market outside official stock exchange hours – without which a derivative market can barely function – is still hard to come by.

A rival electronic price dissemination system developed by the brokers – Matis – has in fact seen more volume, but its crucial disadvantage *vis à vis* the DTB is that it does not have the support of the banks.

The board's decision at the beginning of the week not to include Allianz, the biggest West German insurer, among the 14 blue chip options to start on Friday was reversed yesterday, and the option will be listed as planned.

● Arthur Andersen Consulting, the management consulting arm of the global accounting firm and architect of the DTB system, will be bidding to build a similar system for a group of Austrian banks led by Credit Anstalt. OM, the expansionist Swedish group that has set up a number of electronic derivatives exchanges around Europe, is also likely to bid for the project.

New issues dwindle to trickle

NEW issue in the Eurobond market dwindled to a trickle yesterday as the market remained agitated by recent nervousness across world bond markets, writes Deborah Hargreaves. Borrowers held back from Eurobonds in anticipation of US Treasury auctions and UK trade figures this week.

INTERNATIONAL BONDS

There was some heavy dealing in the primary market, particularly in the Australian dollar sector where bonds regained their buoyancy in expectation of lower interest rates. Recent Australian dollar issues picked up ¼ to ½ point on the short end and as much as 1 point at the longer.

One of the few new deals to grace yesterday's quiet market was a $100m issue for Marubeni International which was brought by Yamaichi. The deal which carries a coupon of 9⅛ per cent and matures in February 1994, got off to a slow reception but was trading on fees at less 1⅝ bid.

The nervous market also greeted a FFr700m issue in France for Interfinance Crédit National with a slow reception. The deal, which carried a 10⅝ per cent coupon was trading on fees of 1⅝ late yesterday.

In a first issue for General Electric Credit Corp in the Swiss market since 1986, J.P. Morgan launched a SFr125m bond, maturing in February 2000. The deal was tightly priced with a 7 per cent coupon and an issue price of 100½.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
FRENCH FRANCS						
Interfinance Cr.National◆	700	10⅝	100⅞	1992	1⅛/⅝	Credit Lyonnais
US DOLLARS						
Marubeni Int. Finance◆	100	9⅛	101¼	1994	1⅝/1⅛	Yamaichi Int. (Europe)
SWISS FRANCS						
General Electric Cr.Corp(a)◆	125	7	100½	2000	2⅜/1¼	J.P. Morgan Secs.(Switz)
Yaohan Departmentstore(b)§**	100	Zero	100	1994	1½	Swiss Volksbank
LB Schleswig H'stein Fin(a)◆	75	7½	100⅜	1995	1½	Credit Suisse
D-MARKS						
Okobank(c)‡◆	25	(c)	102⅛	1996	2⅛/1⅜	Mitsubishi Bank(Germany)
Okobank(d)‡◆	15	(d)	102⅛	1996	2⅛/1⅜	Mitsubishi Bank(Germany)
Bank of Tokyo(Curacao)(e)‡◆	150	(e)	102	1996	n/a	Bank of Tokyo (Germany)
YEN						
Christiania Bank(f)◆	3.5bn	9⅛	101⅛	1992	1⅛/⅝	Nomura Int.
Christiania Bank(g)◆	700	7½	101⅛	1992	1⅛/⅝	Nomura Int.

**Private placement. §Convertible. ‡Floating rate notes. ◆Final terms. a) Non-callable. b) Put option 20/5/92 at 107.6 to yield 3.234%. c) 50bp over 6-month Libor for 2 years, then 7.30% fixed thereafter. Non-callable. d) 70bp over 6-month Libor for one year, then 7.60% fixed thereafter. Non-callable. e) Issue increased for second time to DM150m from DM120m, original amount DM100m. Coupon pays 60bp over 6-month Libor first year, then fixed 7.65%. f) Redemption linked to Nikkei stock index. g) If Nikkei reaches certain level, redemption amount fixed at 100%.

Salomon announces oil price warrant

By **Martin Dickson**

A WARRANT which allows investors to hedge against the price of oil up to seven years ahead was announced yesterday by Salomon Brothers.

Although other securities houses have produced similar products in the oil sector, this is believed to be the first instrument of this kind with such a long life.

Bankers Trust unveiled a similar warrant last October but that issue was for only two and a half years.

Salomon is issuing 5m warrants, developed in conjunction with its commodities trading subsidiary Phibro Energy, at a price of $3.50 a warrant, with a strike price of $20 a barrel.

This means that if the price of oil exceeds $20 a barrel on the various dates over the next seven years when the warrant can be exercised, the holder will be entitled to a cash payment of the difference.

No physical oil is involved.

The reference point to be used in determining the oil price will be the closing price of the sixth month contract on the New York Mercantile Exchange for light sweet crude on the Friday immediately succeeding the exercise date. That price is currently $20.01.

The warrants are exerciseable quarterly during the seven years from March 9 this year to March 14 1997, with the first exercise date being June 7.

The strike price gives a gearing of about 5.72 and represents a total premium of 17.72 per cent.

Mr Neil Bresolin of Phibro Energy said the warrant was designed to allow investors to take advantage of the relative cheapness of long-term oil.

Analysts said that the Bankers Trust warrant, although of a much shorter duration, was slightly more flexible in that investors could exercise it at any time during a six-month period.

That warrant was apparently bought largely in the Asian market.

IFC plans $300m to $500m Eurodollar issue by mid-year

By **Stephen Fidler**, Euromarkets Correspondent

THE International Finance Corporation, the arm of the World Bank which concentrates on private sector investment, is planning a $300m to $500m Eurodollar bond issue by mid-year if market conditions permit.

The issue, which will be the IFC's largest, is likely to carry a maturity of five to 10 years, according to Mr Bernardo Frydman, manager of the IFC's financing and budget department, which is now seeking a lead manager for the issue.

"If we could choose, we'd prefer a 10-year maturity. We'd like to build an IFC yield curve," said Mr Frydman talking to journalists yesterday.

The IFC's first public Eurodollar bond issue was in June last year, for $200m with a seven-year maturity.

The IFC obtained prime triple-A ratings last year from the top two US credit rating agencies as it embarked on a campaign to increase its profile in the international public bond markets. Before 1985, it had obtained all its finance from its parent, and subsequently started to move cautiously into private placement markets.

Now it intends to borrow 10 to 20 per cent of its financing needs, currently about $1bn annually, from the World Bank and obtain the rest of its funding in the capital markets. Mr Frydman said the IFC's greater involvement in the capital markets had opened new ways it could service its client companies in developing countries.

It has built in swap features into its own loans to these companies, for example, allowing the companies to use the swap market to switch liabilities if this subsequently looks attractive. Now the IFC is planning to expand this to help borrowers arrange swaps, either to alter the currency of their liabilities to fit in with their revenues or to widen the number of markets they could tap in raising funds.

The IFC would act as a principal in the swap with a bank, and execute a similar swap agreement with its developing country client. The sensitivity of the swaps market to counterparty risk makes it impossible for companies in many developing countries to arrange swaps on their own.

Citicorp launches L210bn syndicated loan facility

By **Deborah Hargreaves**

CITICORP launched a L210bn syndicated loan facility yesterday which is backed by a portfolio of car loans made by Citicorp Finanziera.

The deal marks the first securitisation of Italian assets that has been brought to the Euromarkets amid an increasing move among banks to take loans off their balance sheets.

The loan has received a prospective credit rating from Moody's Investor Services of Aa2 – the first time this sort of instrument has been rated – and should be attractive to banks seeking secure assets.

The syndicated loan facility is divided into two tranches with the first tranche for L100bn with a maturity of 364 days, carrying interest of 0.175 per cent per year above Eurolira London interbank offered rates. The second tranche for L110bn has a maturity of four years and carries an interest rate of 0.25 per cent above Eurolira Libor which increases to 0.50 per cent after three years and three months when the loan may be repaid.

A single purpose company – Chariots No.1 – has been created for the loan and it will use the funds to make a loan to Banca Commerciale Italiana.

BCI will in turn use the money to refinance a loan it has made against a portfolio of car loan receivables made by Citicorp Finanziera to individuals and companies in Italy.

The deal has been rumoured for some time and Citicorp says it has seen a good appetite for it in the market.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Jan 23 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jan 22 Index No.	Fri Jan 19 Index No.	Thu Jan 18 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (203)	893.12	-0.4	12.73	4.77	9.58	0.39	896.41	909.30	909.98	857.06
2 Building Materials (27)	1095.92	-0.7	14.37	5.16	8.68	0.00	1103.39	1116.91	1118.83	1074.30
3 Contracting, Construction (36)	1524.07	-0.2	16.34	5.18	8.02	0.04	1527.18	1536.30	1530.45	1624.75
4 Electricals (10)	2620.10	+0.9	10.27	4.75	12.24	0.00	2597.85	2606.80	2602.30	2482.05
5 Electronics (30)	1910.43	-0.8	9.41	3.78	13.74	0.00	1925.68	1954.32	1945.65	1938.62
6 Engineering-Aerospace (8)	452.47	-0.1	13.29	4.88	9.29	0.04	453.06	458.30	459.91	0.00
7 Engineering-General (45)	482.79	-0.9	11.59	4.85	10.41	0.15	487.40	490.62	488.54	0.00
8 Metals and Metal Forming (6)	464.08	....	25.41	6.48	4.44	0.00	464.31	465.39	466.26	409.30
9 Motors (16)	381.35	+0.4	13.90	5.53	8.43	0.00	379.67	383.51	383.34	284.34
10 Other Industrial Materials (25)	1609.64	-0.2	10.48	4.48	11.07	2.70	1612.86	1658.93	1671.31	1435.72
21 CONSUMER GROUP (179)	1276.23	-0.3	8.90	3.72	14.05	0.62	1279.89	1298.33	1296.00	1107.22
22 Brewers and Distillers (22)	1511.26	-0.1	9.48	3.48	13.10	0.00	1512.18	1538.09	1524.09	1212.16
25 Food Manufacturing (19)	1124.31	+0.3	9.66	3.93	12.86	1.48	1121.46	1137.54	1130.66	996.27
26 Food Retailing (16)	2286.21	....	8.89	3.32	14.59	3.63	2284.98	2297.28	2292.59	1955.01
27 Health and Household (13)	2512.61	-0.7	6.23	2.60	19.11	0.03	2530.12	2577.07	2587.91	1967.73
29 Leisure (33)	1603.93	-0.2	8.39	3.69	14.69	0.24	1607.34	1631.61	1626.18	1453.17
31 Packaging & Paper (15)	582.31	-0.7	11.31	4.96	11.09	0.44	586.39	587.96	585.54	569.02
32 Publishing & Printing (17)	3571.99	-0.6	8.80	4.94	14.67	3.12	3594.48	3637.67	3635.88	3481.28
34 Stores (31)	773.97	-0.7	11.29	4.85	11.53	0.25	779.32	789.48	791.43	742.77
35 Textiles (13)	511.89	+0.1	11.29	5.85	10.74	0.08	511.25	519.13	521.58	501.66
40 OTHER GROUPS (102)	1162.52	-0.5	11.02	4.80	10.87	0.06	1168.05	1182.93	1182.96	967.71
41 Agencies (16)	1545.32	-1.1	6.84	2.33	17.95	0.05	1563.28	1589.77	1562.74	1159.25
42 Chemicals (22)	1204.15	-0.7	12.60	5.35	9.36	0.27	1212.61	1229.84	1228.92	1108.98
43 Conglomerates (13)	1602.55	-1.4	11.34	6.07	10.32	0.00	1625.12	1650.08	1654.18	1349.99
44 Transport (13)	2268.45	-0.5	10.67	4.24	11.94	0.00	2278.94	2301.89	2308.73	2041.80
46 Telephone Networks(2)	1190.85	+0.4	10.66	4.30	12.19	0.00	1185.64	1201.90	1209.76	1053.45
47 Water(10)	1997.17	+1.6	17.45	6.78	6.35	0.00	1964.98	1970.22	1959.73	0.00
48 Miscellaneous (26)	1879.09	-1.1	9.43	4.38	11.95	0.13	1900.00	1921.50	1919.71	1304.65
49 INDUSTRIAL GROUP (484)	1159.50	-0.4	10.50	4.31	11.65	0.40	1163.73	1179.90	1179.18	1020.85
51 Oil & Gas (16)	2281.68	-0.3	9.46	5.01	13.97	0.00	2287.82	2331.25	2329.20	1869.88
59 500 SHARE INDEX (500)	1253.69	-0.4	10.36	4.41	11.92	0.37	1258.10	1276.46	1275.64	1092.99
61 FINANCIAL GROUP (114)	824.98	+0.2	–	5.15	–	0.18	823.60	830.85	835.21	729.99
62 Banks (9)	870.75	+0.7	19.68	5.76	6.68	0.00	864.74	869.83	875.35	712.05
65 Insurance (Life) (7)	1340.02	-0.7	–	4.95	–	0.00	1349.67	1370.47	1385.60	1036.61
66 Insurance (Composite) (7)	687.64	+0.3	–	5.50	–	0.00	685.42	698.82	701.82	571.46
67 Insurance (Brokers) (6)	1125.13	-0.1	6.60	5.60	20.16	0.00	1126.68	1132.14	1130.80	974.08
68 Merchant Banks (8)	481.80	+0.1	–	3.69	–	0.00	481.13	478.88	479.35	331.10
69 Property (49)	1180.52	-0.3	7.77	3.64	16.28	0.11	1183.58	1192.82	1196.78	1257.78
70 Other Financial (28)	336.72	-0.3	12.52	6.26	10.48	1.04	337.86	337.78	338.60	368.01
71 Investment Trusts (68)	1228.30	-0.1	–	2.96	–	0.27	1229.51	1237.44	1236.74	1002.88
91 Overseas Traders (5)	1504.68	-0.6	9.18	5.26	12.53	0.00	1514.03	1528.70	1526.22	1334.01
99 ALL-SHARE INDEX (687)	1150.91	-0.3	–	4.48	–	0.32	1153.98	1169.46	1169.74	1001.08

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 22	Jan 19	Jan 18	Jan 17	Jan 16	Year ago
FT-SE 100 SHARE INDEX♦	2291.1	-6.0	2305.9	2282.9	2297.1	2335.0	2336.9	2373.9	2349.1	1941.1

FIXED INTEREST

PRICE INDICES	Tue Jan 23	Day's change %	Mon Jan 22	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	114.26	+0.03	114.36	0.14	1.33
2 5-15 years	124.45	+0.04	124.74	0.35	1.05
3 Over 15 years	133.88	+0.16	133.75	–	0.00
4 Irredeemables	151.19	-0.48	151.92	–	0.00
5 All stocks	123.64	+0.04	123.84	0.24	1.05
Index-Linked					
6 Up to 5 years	140.58	....	140.58	–	0.00
7 Over 5 years	137.23	-0.14	137.42	–	0.47
8 All stocks	137.36	-0.13	137.54	–	0.44
9 Debentures & Loans	102.88	+0.07	102.81	–	0.31
10 Preference	83.35	-0.20	83.51	–	0.16

AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 23	Mon Jan 22	Year ago (approx.)
British Government				
1 Low	5 years	10.78	10.76	9.19
2 Coupons	15 years	10.27	10.27	8.91
3	25 years	10.14	10.12	8.84
4 Medium	5 years	11.97	11.98	10.15
5 Coupons	15 years	10.65	10.66	9.39
6	25 years	10.24	10.23	9.04
7 High	5 years	12.08	12.09	10.41
8 Coupons	15 years	10.85	10.84	9.55
9	25 years	10.36	10.34	9.14
10 Irredeemables†		10.18	10.12	8.87
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.20	4.19	3.41
12 Inflation rate 5%	Over 5 yrs.	3.79	3.78	3.69
13 Inflation rate 10%	Up to 5 yrs.	3.25	3.24	2.11
14 Inflation rate 10%	Over 5 yrs.	3.61	3.60	3.52
15 Debs &	5 years	13.10	13.10	11.71
16 Loans	15 years	12.60	12.61	11.32
17	25 years	12.60	12.61	10.97
18 Preference†		11.09	11.07	10.15

♦Opening index 2285.0; 10 am 2293.3; 11 am 2293.0; Noon 2301.4; 1 pm n/a; 2 pm n/a; 3 pm 2299.4; 3.30 pm 2299.6; 4 pm 2296.8
(a) 2.40pm (b) 9.15am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
Technical problems prevent us from publishing the FT-SE 100 index at 1pm and 2pm.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	27	44	29
Corporations, Dominion and Foreign Bonds	11	8	21
Industrials	201	650	761
Financial and Properties	96	273	328
Oils	13	37	43
Plantations	1	1	8
Mines	23	67	70
Others	29	136	91
Totals	401	1,216	1,351

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	97	Abtrust New Thai Inv.	99		–	–	–	–
$	F.P.	–	61	45	Do. Warrants	55	-1	–	–	–	–
$75	F.P.	–	86	81	‡Air London 5p	86		R2.25	2.5	3.5	13.1
†	F.P.	–	30	23	*Analysis Hldgs. 20p	25	-1	–	–	–	–
240	100	–	176	100	Anglian Water	173½	+6½	R15.3	2.3	6.5	7.6
[illegible]											
–	F.P.	–	43	36	TR High Inc. Sub. 0.01p	43					
240	100	–	169	100	Thames Water	154½	+1½	R14.58	2.4	6.6	7.1
£2400	£1000	–	£1670	£1000	Water Package Units	£1623	+55				
240	100	–	174	100	Welsh Water	174	+7	R16.75	2.9	7.1	5.3
240	100	–	182	100	Wessex Water	174	+9	R15.21	2.6	6.5	6.5
240	100	–	186	100	Yorkshire Water	181	+9	R15.42	2.4	6.4	7.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
–	F.P.	–	85p	73p	Bear Brand 10¼pc (Net) Cv.Cm.Pf	78p	
98.94	F.P.	–	99⅝	94⅞	British Inv. Tst. 11¼pc Sec. Db 2012	94⅞	
89.65	£30	–	30½	28⅝	Brixton Ests. 10⅞pc 1st Mtg Db 2012	28⅞	
$99.68	F.P.	–	100½	95⅞	Foreign & Col. 11¼pc Db. 2014 £100	96¼	
$	£50	–	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln.1999	55	-1
100	F.P.	–	100	97	Omnitech 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
11	Nil	–	1½pm	¼pm	♣Audio Fidelity 10p	½pm	-⅛
18	Nil	–	10½pm	6¼pm	Arina Petroleum	9pm	+½
280	Nil	–	27pm	19pm	Cock (Wm.) 20p	20pm	-1
110	Nil	–	14pm	8pm	Fisher (A.) 5p	14pm	
100	Nil	–	8pm	¼pm	Medirace 10p	½pm	-⅛

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ♠ Offered to holders of ordinary shares as a "rights". † Introduction. §Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Jan 22
- Last Dealings Feb 2
- Last Declarations Apr 26
- For settlement May 8

For rate indications see end of London Share Service

Calls in **Amstrad, Coloroll, Saatchi & Saatchi, Ferranti Intl., Aviva Pet., Atlantic Res., Edmond Hldgs., Marley and Control Sec.** Put in **Cowie (T)**. Put and call in **Courtaulds**.

LONDON TRADED OPTIONS

THE OPTIONS Market traded high volumes both in stock options and in the FT-SE index option, despite the Dow Jones index closing its previous session down 77 points. The UK market experienced sustained trading yesterday with the options daily volume recording 42,683 contracts. The business was spread between 23,818 calls and 18,865 puts.

Tomorrow is the expiry date for a large percentage of individual stock options and resulted in a closing of January positions and opening for April.

As a result, volume for stock options yesterday was high. Storehouse traded 4,310 contracts with the January 120 calls trading 2,110 and the April 130s trading 2,000 contracts.

BP traded a total of 3,562 contracts in 4,244 calls and 66 puts, with the April 330 calls the busiest series trading over 1,000 contracts. British Steel, the third busiest stock option on the day, traded 2,618 with business concentrated in put buying. Call business totalled 155 while put business recorded 2,463 trades. The busiest series here were July 120 puts with a total of 2,450. day.

The FT-SE 100 index option had busy two-way business despite market caution regarding index performance worldwide. Business continued throughout the day despite temporary technical problems. The index traded a total of 9,291 contracts made up of 2,023 calls and 7268 puts. The most active series was Feb 2300 puts which traded 1,960 contracts. Open interest on the day was 893,420 for all classes and 112,195 for the FT-SE 100.

Option	Calls	Puts
[illegible]	[illegible]	[illegible]

A rare prize for a favoured buyer

Alan Cane answers questions about the GEC/Siemens sell-off

HOSKYNS, the UK-based computing services company which GEC/Siemens put on the market last Friday, is a rare prize. The successful bidder may have to pay close to £400m for the privilege if the price precedent set by AT&T's acquisition of Istel, over twice historic revenues, is anything to go by.

Even then, it will have to satisfy Hoskyns' senior management and staff that a set of conditions laid down by Mr Geoffrey Unwin, Hoskyns' executive chairman, have been met. The conditions are designed chiefly to ensure that Hoskyns remains free to run its own business and maintain its market listing.

The affair begs two questions. Why is GEC/Siemens so keen to rid itself of a first rate company firmly established in one of the fastest growing and most important areas of the computing services market? And why should Hoskyns, owned 70 per cent by GEC/Siemens' acquisition Plessey, have any say in its own disposal.

The first question is the harder to answer. GEC/Siemens is giving only bland responses to question about its motives.

Mr Unwin, giving his first extended interview since the offer was announced, said it was a baffling, though not unexpected decision. It had been one of the options open to GEC/Siemens after its acquisition of Plessey.

The successful bidder may have to pay close to £400m for the privilege

He could not, however, understand the logic of disposing of a services company with over 3,800 staff at a time when top quality computer specialists were in increasingly short supply.

Furthermore, while it was still early days, it was clear that untying the knot that binds Hoskyns to Plessey could create problems.

Hoskyns is the UK's leading specialist in facilities maintenance, where a computing services company takes over a customer's data processing set-up, staff and machinery, and runs it on the customer's behalf.

Hoskyns' 1989 revenues of £189m included some £30m of FM sales to Plessey. Plessey had first centralised its data processing facilities then turned them over in total to Hoskyns to manage.

So with Hoskyns, GEC/Siemens are essentially selling Plessey's data processing department. Mr Unwin expects to retain at least part of Plessey's data processing but there could be unexpected difficulties.

What if staff due for return to Plessey under the terms of an FM contract decided they had a better future with Hoskyns, for example.

Hoskyns has the right to turn down an unwelcome bidder because of the nature of the computing services business. While a merchant bank might negotiate a good price for a computing services company it could not guarantee to deliver key staff unless they were happy with the deal.

Mr Unwin was yesterday giving his 32nd 90-minute lecture on the market, the company and its future to groups of staff, a six-week marathon which he says gives him a unique opportunity to sample the mood of the company.

He insists that Hoskyns will be one of the top five computing services companies in Europe by 1992 (it is number ten at present) ruling out acquisition by any overseas competitor.

He said that he favoured a buyer which would help the company's expansion into new geographic markets and give it access to a broader range of technologies.

Ian Prosser, chairman of Bass, the brewing and leisure group, told yesterday's annual meeting that overall, business activity in the first quarter had been satisfactory.

He pointed out, however, that if interest rates stayed at their present levels for long, all UK consumer businesses must expect to be affected.

Speaking to shareholders gathered at London's Barbican Centre Mr Prosser said that the group's beer sales by volume had increased by 1.5 per cent in the first 15 weeks helped by major growth in take home sales.

He added that pub retailing turnover in Bass inns and taverns had continued to grow satisfactorily, but trading in the south of the country had been relatively depressed compared with good trading conditions further north.

Referring to the group's hotels and restaurants Mr Prosser said the businesses had ended the first quarter with good improvements in sales. The group continued to be pleased with the progress of Holiday Inns International.

Shareholders were told that the picture in the leisure division was rather mixed. Sales of UK amusement machines and bingo admissions were both below last year until Christmas but both had improved since then.

Mr Prosser said the Coral racing activities had consistently traded well ahead of last year and the Britvic soft drinks business had experienced a strong sell into retail outlets prior to Christmas although sales out of retail stores appeared to have been slow.

NEWS DIGEST

Fall into red at Scott Pickford

SCOTT PICKFORD, quoted on the Third Market and a provider of services in the fields of geology and geophysics, swung from profits of £33,468 to losses of £22,215 pre-tax for the six months to end-September after taking account of an exceptional provision of £21,620.

For the previous full year the company experienced a profits fall of £161,000 to £71,000.

Currently, trading was showing an improvement and the directors were confident that the company would return to profit for the full year. First half turnover totalled £766,512 (£684,791) and loss per share amounted to 0.32p (earnings 0.31p).

Murray Smaller net assets higher

The net asset value of Murray Smaller Markets Trust expanded by 44 per cent – from 196.67p to 282.89p – over the 12 months to November 30 1989.

Net revenue for the six months to end-November amounted to £1.1m, up from £761,124. Earnings per share were higher at 1.97p (1.37p) and, as already announced, the interim dividend was raised from 0.65p to 1.1p.

Restructured Norbain at £0.1m

Norbain Electronics, the USM-quoted electronic components and security systems group, raised profits from £22,000 to £103,000 at the pre-tax level for the six months to end-October 1989.

Turnover of the restructured group totalled £5.36m (£5.3m, including £500,000 from computer maintenance since sold). The profits rise represented significant growth in security systems equipment distribution, which now accounts for 60 per cent of total sales. Earnings emerged at 1.05p (0.25p).

Static performance at Practical Inv

The net asset value of Practical Investment stood at 116.64p at November 30 – a marginal increase on the figure of 113.71p a year earlier.

This investment trust reported net revenue of £383,930 (£386,175) for the six months to end-November. Earnings per 10p share dipped to 1.92p (1.93p) and the interim dividend is maintained at 1p.

North of Scotland Inv holdings decline

North of Scotland Investment said yesterday that its net asset value was 30.43p as at November 30 – a rise of 21 per cent over the year.

The investment trust incurred losses of 0.01p per share (earnings of 0.18p) in the six months to end-November, reflecting a decline in valuation of a number of quoted holdings retained by it.

Directors said this section had been further scaled back in order to fund expansion of the unquoted portfolio.

They added that present forecasts indicated that total income for the full year would be sufficient to justify at least a maintained dividend – last year's payment was 0.35p.

Fine Art/EFL

EFL, the Dutch conglomerate, has finally agreed to buy the Australian operations of Fine Art Developments, resolving what had threatened to break out into a legal dispute over the £14m sale.

Fine Art, said yesterday that EFL had agreed to buy Bell & Howell, by February 28.

Fine Art said EFl's undertaking had come after it had provided an estimate of Bell & Howell's balance sheet as at November 30.

UK COMPANY NEWS

Strong boost from property activities

Antler stake sale helps Saville Gordon top £5m

By Richard Tomkins, Midlands Correspondent

A STRONG first half for J Saville Gordon, the Birmingham-based property and merchanting group, saw profits jump from £3.02m to £5.23m in the six months to end-October.

Last October Saville Gordon bought London & Overseas Land, a company whose property portfolio, like Saville Gordon's, consisted mainly of high street retail sites in market towns.

But the timing of the purchase meant that it played little part in yesterday's figures. Instead, the growth came from Saville Gordon's existing portfolio and from profits on the sale of its stake in Antler, the luggage maker taken over by Wassall last year.

A combination of rental growth and profits from dealing and development pushed the property division's contribution at the operating level ahead from £3.08m to £4.63m.

The securities and commodity trading side would have shown a downturn, but a profit of over £2m on the Antler transaction took the division's contribution up from £245,000 to £1.53m.

The pipeline equipment and stockholding division was caught out by falling metal prices and turned in flat profits, while the metal trading and processing division has now been largely divested.

Mr John Saville, chairman, said interest rates had produced a slow-down in property dealing and development activity, but a number of rent reviews would fall due in the second half which should produce substantial benefits.

Group turnover *fell to* £37.81m (£40.91m). Earnings per share were 71 per cent ahead at 3.435p (2.004p) and the interim dividend is raised from 0.4p to 0.5p.

DM14.9m acquisition for OMI

By David Owen

OPTICAL AND Medical International (OMI) is joining the throng of companies expanding into Europe with the purchase of Peters & Zabransky of West Germany for about £5.3m (DM14.9m) cash.

The Munich-based company specialises in the design and stress analysis of components for the automotive and aircraft industries. OMI believes that the business will fit well with its own mainly aerospace-related design activities which account for some 35 per cent of group turnover.

In addition, OMI has been granted an option exercisable prior to June 30 1991 to buy 80 per cent of Peters, an associated Austrian company with business contacts in eastern Europe, for a nominal sum.

Mr Gilbert Williams, OMI chief operating officer, said: "Having a presence in Europe means that we are better-placed for dealing with European companies."

To finance the deal, OMI has raised £4m through West German bank borrowings at an interest rate of some 9.5 per cent. In addition, Mr GF Peters, the vendor and founder of Peters & Zabransky who also owns the 80 per cent stake in Peters, has paid £1.27m for new ordinary OMI stock at 111.5667p per unit.

The 1.12m shares allotted to him gives Mr Peters, who has entered into a three-year service agreement, just over 2.5 per cent of OMI. The new shares will not rank for any dividend in respect of the half-year to end-September 1989.

The transaction was conducted by OMITEC Holding, OMI's newly-formed West German subsidiary. Should the London-based group, which also makes specialised optical and diagnostic products, exercise its Austrian option, it has undertaken to offer to purchase the remaining 20 per cent of Peters for £218,000.

Peters & Zabransky anticipates sales of DM16m for the 1989 calendar year, up from DM12.6 a year earlier. Net assets at December 31 1989 were not less than DM400,000.

OMI shares rose 2p to 114p.

Advertising revenue fall leaves Adscene at £0.6m

By John Thornhill

ADSCENE GROUP, the Kent-based publisher and printer, yesterday reported a near halving of interim profits and warned that it was not expecting better news for the year because of the current squeeze on consumer spending.

Pre-tax profits fell from £1.25m to £619,000 in the six months to December 2 while earnings per share dropped to 2.45p (5.4p). But turnover grew to £10.67m (£9.45m) helped by acquisitions made in the previous year.

The directors declared an unchanged interim dividend of 2p. Mr Harry Lambert, chairman and chief executive, said Adscene had maintained the dividend because it took comfort from a £590,000 extraordinary profit it had gained on the sale of a shareholding in Invicta Sound.

Adscene publishes 41 local weekly papers in Kent, London and Lincolnshire but suffered from a decline in advertising expenditure, particularly from the property and retail companies. "In revenue terms we were down by about 9 per cent and all that has dropped down to the bottom line," Mr Lambert said.

Profits were also hit at the pre-tax level by an increased interest charge of £296,000 (£122,000).

The printing division increased its profits and secured new contracts during the period.

Mr Lambert said he did not forsee an upturn in the market in 1990 and therefore planned to reduce the group's cost base. The company would then be well placed for when the economic climate improved.

Adscene's shares shed 5p to close at 83p.

Kingsgrange returns to profit with £309,000

Kingsgrange, the toiletries manufacturer, returned to profit in the six months to end-October. However, there is no interim dividend and directors said future payments would depend on a sustained recovery – a 0.75p interim was paid previously.

Pre-tax profits were lower at £309,000 (£542,000) on turnover of £11.55m (£11.94m). Trading profits were £1.02m (£983,000). The year to April 30 saw a loss of £2.04m.

Mr James Nelson, chairman, said that all divisions performed well in the period with Gilchrist & Soames (UK) showing significant growth and Jean Sorelle improving sales. He added that the cost cutting throughout the group had yet to be reflected in profits.

Interest charges were 60 per cent higher at £712,000 (£441,000), resulting from finance provided to meet the payments on earlier acquisitions and increased interest rates.

The sale of the 50 per cent holding in Kingsgrange America Inc is being negotiated with a company in which two Kingsgrange director have an interest. An extraordinary provision of £450,000 has been made against the investment and the costs of its sale.

The interim figures excluded the activities of Kingsgrange America. The comparatives on the same basis show trading profits of £1.04m on turnover of £10.1m.

After tax of £40,000 (£219,000) earnings per share were 1.7p (2.1p).

GT Japan assets up

GT Japan Investment Trust achieved an increase in net asset value from 176.5p to 242.1p over the year to December 31.

However, income from investments for the six months to end-December fell to £287,000 compared with the £1.7m achieved for the same period of the previous year and net revenue emerged at £431,000 (£746,000) after tax of £112,000 (£133,000). The interim dividend is 0.4p (0.25p adjusted) from earnings of 0.69p (1.2p).

Colin Beere

Ian Homersham, left, and George Pope, announcing the results

John D Wood back in black at £0.22m

By Paul Cheeseright, Property Correspondent

JOHN D WOOD, the residential estate agent, returned to profit in the six months to October 31 after a period of loss-making and cost-cutting, but immediate prospects are still held back by the high level of interest rates and the depressed housing market.

Pre-tax profits were £216,000 compared with £435,000 in the same period of 1988. For the full 1988-89 year the company returned profits of £257,000 after lapsing into loss during the second half.

The sale and leaseback of a freehold office at Lymington led to an extraordinary profit of £154,000 after payment of tax on the deal.

Earnings amounted to 1.6p, against 3.5p. The interim dividend is maintained at 1.5p – full payments for 1988-89 were 2p, but the directors, who control nearly half the equity, waived their rights to the final dividend of 0.5p.

Although the company is continuing to trade profitably, especially in its agricultural and property management departments, its main problem remains a low level of activity.

However, Mr George Pope and Mr Ian Homersham, the joint chairmen, said they were optimistic that interest rates would fall during 1990, which should stimulate greater activity in the marketplace leading to increased turnover.

COMPANY NEWS IN BRIEF

BMSS has bought Grundy and Pilling, C Scott and certain freehold properties occupied by Grundy and Pilling from Eagle Trust for £2.18m. The consideration is satisfied by the issue of 700,000 new ordinary, placed at 122p per share with the balance in cash from the company's own resources. Intercompany debts, of £536,000, were repaid on completion.

CANNING (W), through its wholly-owned French subsidiary, Gamlen Industries, has bought the goodwill of the Drivex business from UCIO for £70,000. Drivex makes combustion additives and related products, sold principally in France.

CIRCAPRINT: Mr BG Stroud, executive chairman, told the annual meeting that orders were still below expectations and that the company was currently trading at a loss. He added, however, that with positive indications that business from major customers was improving, the company should return to profit in the second half.

GARTMORE INFORMATION and Finance: Ordinary and preference stock offers by Gartmore Emerging Pacific Investment Trust now unconditional as to acceptances, but remain conditional in all other respects. The cash alternative has closed. Offers remain open until further notice. Acceptances total 89.76 per cent of voting rights.

GRAHAM WOOD has acquired ED Hughes and its subsidiaries, Hughes Engineers (Devon) and Devon Metal Treatments, from Zurich Group together with 3.5 acres of land and buildings. Total consideration for the group, estimated at £605,000 and subject to a maximum £630,000, will be in cash.

GREAT PORTLAND Estates has entered into a £60m three-year revolving credit facility with a syndicate of international banks. It was arranged by Baring Brothers. The proceeds will be used to finance the company's development programme over the next year and the cost of the funds has been fixed through an interest rate swap at 13.25 per cent.

RADIO CLYDE: Advertising revenue from October to December 1989 grew by 21 per cent overall compared with the same period last year, Mr Ian Chapman, chairman, said in his annual statement.

SHANDWICK, public relations consultancy, has acquired Incomnews, a leading Italian public affairs consultancy with offices in Milan and Rome. Initial payment was L2bn (£950,000) with further performance-related payments not exceeding a total L7.65bn (£3.64m).

Move to main market following expansion into marketing services

Acsis doubles profit to £7.4m

By Alice Rawsthorn

ACSIS GROUP yesterday lifted the cloud of gloom that has descended on the marketing services sector by announcing pre-tax profits doubled from £3.68m to £7.37m in 1989 on turnover ahead 71 per cent from £18.54m to £31.71m.

The group has expanded at a frenetic pace by buying a series of marketing services companies – all in specialist sectors – since Mr Darryl Phillips became chairman less than three years ago.

It has since sold the original jewellery business to concentrate on marketing services. Yesterday it announced plans to move from the USM to the main market.

Mr Phillips said the group had experienced growth "across the board" in 1989 in spite of the slowdown in the marketing sector. Acsis' interests are in the specialised areas of marketing services – everything from billboards in clubs to interior design for hotels – that tend to be unaffected by cuts in general marketing budgets.

The only area of weakness, said Mr Phillips, was recruitment where Taylor & Partners, which specialises in marketing jobs, had been hit by the slowdown in the sector. He said Acsis had continued to show strong growth so far in the current year.

Operating profits rose to £7.22m (£3.74m) and interest received was £144,000 (debit of £64,000). Acsis still has £8m of the £21.2m raised in last autumn's rights issue.

Fully diluted earnings per share increased to 4.9p (3.3p). A proposed final dividend of 0.7p lifts the total to 1p (0.6p).

Mr Phillips said Acsis was intent on further acquisitions, but would pursue the same policy of buying niche businesses in its established specialised areas of interest. "There may be lot of companies with low multiples in the conventional marketing sector," he said. "But it is often because the companies are in mess."

● COMMENT

Whether by good luck or good judgment Acsis has emerged from its whirl of acquisitions with a group of businesses which seem remarkably resilient to recession. This clean set of results is the first hint of cheer that the moribund marketing services sector has had for some time. So far recruitment is the only area to have suffered from the slowdown in marketing expenditure. Most of the other businesses are involved in the specialist disciplines which provide the short term boosts to sales that companies need when times are tougher. The critical question is whether the group will be able to sustain organic growth over the long term once it has exhausted the opportunities for easy efficiency gains. The City is sanguine about the immediate outlook. Analysts expect profits of £13.2m this year leaving the shares – down by 3p to 76p yesterday – with a little further to go even on a prospective p/e of 11.

Property activities cushion fall at Courts

By Maggie Urry

PROFITS OF Courts, the furniture retailer, fell by £1.2m to £3.1m pre-tax in the half year to end-September because of difficult trading conditions in the UK furnishing market.

However, the decline was limited by strong performances from overseas operations and a near-£2m rise in property profits. The interim dividend is being held at 1.83p from earnings down nearly a quarter at 7.95p. The shares fell 2p to 168p.

Mr Bruce Cohen, chief executive, said the UK business made only a small profit at the pre-tax level in the half year. Although second half trading so far had been more encouraging, he anticipated that trading conditions would remain difficult throughout 1990.

He added that Courts' bias towards the south of England had exacerbated the problem since the worst of the decline in housing activity had been seen in the south.

Group sales were 5.9 per cent higher at £68.9m (excluding VAT) but UK sales fell by 8.6 per cent, and were 15 per cent lower in like-for-like stores, Mr Cohen said.

He also pointed out that the group had increased its share of the market, that the programme of refurbishing high street shops and opening new Mammoth superstores had continued and that the group's aim was to be in a strong position to benefit from any upturn in the market.

Staff numbers had fallen in the first half, through redundancies and natural wastage, meaning the group's salary bill would fall in the year, Mr Cohen said. However, there had been costs involved in the first half of about £150,000.

Overseas sales rose by 33 per cent with stores in all but two of the 10 countries where the group operates performing well. The difficult areas were Singapore, which Mr Cohen said had picked up in the second half, and Papua New Guinea, which is small in the group context.

Mr Cohen said the strength in overseas markets had continued in the company's third quarter. With a higher proportion of the overseas sales made on credit, the transfer from deferred profit reserve was down from £593,000 to £12,000 in the first half. The transfer to reserve for the full year was likely to be well up on the £780,000 last year. These reserves are released to profits as the credit payments are made.

Property profits were £2.3m (£320,000) and Mr Cohen thought there would be further substantial profits from this source in the second half.

The interest charge rose from £1.9m to £3.1m, partly through higher interest rates and also as borrowings increased. Mr Cohen said he expected balance sheet gearing at the year end to be the same as at the previous year end.

Aukett ahead 33% to £2.3m

By Peter Franklin

A 33 per cent rise to £2.31m in pre-tax profits for the year to end-September was yesterday reported by Aukett Associates, the integrated architectural and building design company.

Work done in the period was up 39 per cent from £9.32m to £13m. An increase in staff costs and other operating charges from £7.39m to £10.55m left operating profits at £2.45m (£1.92m).

There was a £77,000 (nil) charge resulting from the purchase, in a joint venture with 3i, of the freehold of Albert Bridge House, south-west London.

Planning permission is being sought to enlarge this property. When the work is completed all the company's operating divisions will be consolidated there.

Net interest payable fell from £189,000 to £60,000 after which pre-tax profits came through at £2.31m (£1.73m).

Mr Gerry Deighton, chairman, said the company had continued to make good progress in all aspects of its operations. The structural engineering division was now fully operational and was contributing to fee income.

Mr Michael Aukett, chief executive, said that by offering a complete package, rather than just architectural services, Aukett was able to obtain double the work, and hence double the fees, than could be commanded by many of its competitors.

Some 74 per cent of the group's work comes from existing customers such as Marks and Spencer, Sun Alliance and British Rail, and the level of new business remained high, he said.

In December Aukett made its first acquisition when it bought Nathaniel Lichfield and Partners, a company which specialises in urban and economic planning. The purchase of that company would enhance the business base of the group and would extend the integrated service which Aukett could offer, the chairman said.

The establishment last October of an office in Geneva marked the group's move into Europe, where the company is exploring the possibilities of obtaining work in countries such as Greece and Portugal.

With the help of the Government, initiatives had also been promoted to examine the possibility of obtaining commissions in eastern Europe, with particular emphasis on Hungary.

Key European companies would be selected as partners for these projects, said Mr Aukett, and it was possible that stakes could be taken in them, but 90 per cent of the profits would come back to the UK.

After a tax charge of £874,000 (£666,000) earnings per 5p share emerged at 11.88p (9.15p) and the directors are recommending a final dividend of 2.75p making a total for the year of 4p (3p).

Wiggins falls into £1.33m loss

WIGGINS GROUP, the property development and housebuilding group with significant interests in London's Docklands, reported interim pre-tax losses of £1.33m against profits of £3.82m.

In December the company warned that the results would be substantially lower than for the comparable period.

The company said that it hoped it would sell in the present financial year the 347-bedroom hotel being developed as part of its waterside scheme near Canary Wharf, Docklands.

Its other development in the area, the last phase of its business apartments programme, was attracting buoyant interest in spite of the economic uncertainty which had affected business confidence.

It added that taking into account the stage reached in the development it was not appropriate to recognise profit already earned until there had been further sales. The outcome for the year must, at this stage, remain uncertain, directors said.

The shares fell 4p to close at 67p.

Turnover for the period to end-September fell from £55.75m to £8.16m. After administration expenses of £1.47m (£3.21m) and sale of investment properties of £40,000 (£922,000) operating profits were lower at £209,000, against £4.79m.

Net interest charges increased from £970,000 to £1.54m. There was a nil tax charge, against £852,000 and the loss per share came out at 8.5p, compared with earnings of 19.1p.

The company said that it had reduced its residential land purchases in anticipation of a slowing of the housing market and steps were being taken to cut work in progress to a limited level.

It added that it had an attractive land bank in the east Midlands and the south west of England and was confident that the housing division was well placed to weather the present difficulties.

Ryan Hotels advances 76%

Ryan Hotels, the Dublin-based hotel operator, announced a 76 per cent expansion in full-year profits and said it was "actively examining further investment opportunities in continental Europe."

Pre-tax profits for the year to end-October rose from I£1.56m to I£2.75m (£2.6m), an advance scored on turnover ahead 22 per cent to I£21.17m (£17.3m).

During the year Ryan spent I£10m on hotels in Amsterdam and Brussels and providing extensions to establishments in the Irish Republic.

All Irish hotels improved their contributions, directors said, while the Le Belson in Brussels had an "excellent year". The Memphis in Amsterdam, acquired in July, was undergoing refurbishment which should be completed by the end of March.

After tax of I£362,669 (£436,906), earnings rose to 4.57p (2.86p) per 5p share. A final dividend of 1.25p lifts the total to 1.75p (1.5p).

COMPANY NEWS IN BRIEF

CAPITAL AND REGIONAL Properties has bought Hanover Property Unit Trust's half interest in their joint venture company, Capital and Regional (Victoria), for £2.05m in cash and the repayment of loans from Hanover to the joint company of £3.4m. As part of the deal Hanover has bought two properties from the joint company for £3.51m and it will retain the management services of Capital and Regional on them.

CARRON PHOENIX: the offer by Bene has been extended to January 26. Bene owned 10 per cent of the shares and acquired further 19.48 per cent through acceptances.

CLASSIC THOROUGHBREDS said subscriptions received for 13.81m B ordinary shares (59.8 per cent) under recent rights issue.

CLAYFORM Properties has acquired the 40 per cent of Clayform Wales not already owned by it for £2.65m satisfied by the allotment of 1.15m new ordinary.

EARLY'S OF WITNEY: Safeland has disposed of its entire holding for £278,993 cash.

ECONOMIC FORESTRY Group is proposing to change its name to EFG to reflect the broader base of its activities.

ERSKINE HOUSE has acquired Sierra Office Concepts, based in Reno, Nevada, for an initial $6.7m (£4.1m) cash. Further payments to a maximum $2.8m are dependent on profits until end-March 1992.

GARTMORE AMERICAN Securities: Pre-tax revenue for the nine months to December 1989 amounted to £1.41m. Earnings per share were 2.6p and net asset value 49.67p.

GREEN (JOHN): offer from Wace accepted in respect of 24.4 per cent of shares, bringing Wace holding to 97.1 per cent.

HALLAMSHIRE INVESTMENTS: Pre-tax profits for period February 4 to September 30 1989 were £235,827 on income of £312,147. Losses, after tax and issue costs, £82,576. Earnings, before issue costs, 5.2p per share.

HICKSON INTERNATIONAL: The invitation to qualifying shareholders to apply to subscribe for £27.55m bonds closed on January 9. About 47 per cent (£12.99m) have been subscribed for by such shareholders.

LONDON UNITED is selling its Dallas-based RL Jarrett (Holdings) subsidiary to US Risk Insurance for $250,000 (£151,000) cash. Jarrett, an excess and surplus line broker, incurred pre-tax losses of $763,000 in 1988.

MARSHALLS has acquired Appleton Quarry, near Huddersfield, West Yorkshire, and Dalestone Concrete Products of Eaglescliffe, Cleveland. Combined consideration, paid in cash and loan notes, is less than 5 per cent of Marshalls' net assets.

MERLIN INTERNATIONAL Properties has sold its 75 per cent interest in the Merlin Street site, Darling Harbour, Sydney, to the Hayson Group for £5.1m.

NEEDLER GROUP has acquired the US aggregate operations of Elderlee for $1m (£600,000). Included in the price are 7m tons of licensed reserves plus the crushing plant and all equipment.

NEW LONDON Oil has bought a 100 per cent working interest in the Broyles gas unit in the Mammoth Creek Field, Lipscomb County, Texas. Total consideration is $863,000 (£520,000) or 39 cents per thousand cubic feet of gas ($2.35 per barrel of oil equivalent).

NO PROBES: The Trade Secretary had decided not to refer the following proposed deals to the Monopolies and Mergers Commission: the acquisition of VG Instruments by Fisons, the acquisition of General Portfolio Group by Gan International, and the acquisition of Ravensbourne Registration Service by Barclays.

PEEK subsidiary, Husky, has won an order worth DM1m (£359,000) to supply Husky Hunter 2 handheld computers to Carl Zeiss of West Germany, one of Europe's largest survey equipment manufacturers.

SHERIFF HOLDINGS: Of the open offer of 1.2m shares, 267,858 were applied for by shareholders. Sheriff has also acquired the assets and continuing business of the lift hire division of Vine Plant for £283,000 cash.

SIDLAW is expanding its packaging division with the acquisition of MGS Plastics, of High Wycombe, for an initial £1.5m cash plus a profit related maximum of £2.25m. As part of rationalising the division, Sidlaw's Byfleet property is being sold which should realise some £1m cash, and the operation there will be relocated. MGS extrudes, converts and prints polythene film.

TRACE COMPUTERS has bought the remaining 49 per cent of Image Software not already owned by it. The post-tax profit related consideration has been satisfied by issue to the vendors of 26,152 new ordinary and £111,705 cash.

VAUX GROUP: Shareholders applied for 9.71m (80.1 per cent) of the new ordinary to be issued to finance the acquisition of Gosforth Park Hotel and other properties.

VIBROPLANT has expanded US operations with the acquisition of the assets of Shi-loh Leasing for $2.4m (£1.4m) cash. Shi-loh is an aerial access rental company in Cincinnati.

VINTEN announced that Vinten Military Systems had contracted to purchase the infrared linescan business from British Aerospace with effect from January 9. The aggregate consideration is £1.5m at current values, payable by instalments over the next 18 months.

Plenty in reserve as battle is rejoined

Nikki Tait considers the background to Hoylake's renewed assault on BAT

BRITAIN'S biggest bid show is back on its feet and running.

Hearings concerning attempts by Sir James Goldsmith's Hoylake consortium to take over BAT Industries, the large tobacco-based conglomerate, restarted in front of the Illinois insurance commissioners on Monday.

Within hours, the BAT camp's lawyers had fired their first round of ammunition. This took the form of a letter, dated September 11 last year, from the Department of Trade and Industry's insurance division to Hoylake's lawyers. It was unearthed thanks to the Illinois "discovery" process.

The DTI said that it was considering lodging a preliminary notice of objection to Hoylake's ownership of Eagle Star and Allied Dunbar, BAT's UK insurance subsidiaries.

The letter, however, may only be the beginning of the hostilities. BAT, which conveniently amassed analysts and press for a background briefing on the US hearings yesterday, hinted that it had further ammunition in reserve and was even fairly specific about some of the areas which it may target.

The fairly extensive "discovery" powers granted in Illinois, it explained, could mean that much of the "new" evidence was filed there. Hearings in many of the other states, none of which have yet started the hearing procedure, could then concentrate on transcripts of evidence already given, subject to any new matters arising.

That leaves two questions for shareholders. Does this initial attack – the DTI letter – indicate genuine additional difficulties for Sir James' plans, or is it a well-timed piece of niggling by BAT? And what other matters may be a subject for extensive sniping, either by BAT or its adversaries, in the course of the next few weeks?

On the first issue the need for the DTI to give its approval to a potential change of ownership of BAT's UK insurance businesses was never any secret. However, because the process of gaining such clearances is traditionally conducted beneath a veil of secrecy, it is difficult for outsiders to judge precisely how serious this initial warning of possible objection may have been.

The DTI process involves the would-be owner of a target insurance company applying to take control. The authorities have three months in which to object. If, after a maximum of two months, they are undecided, they tells the would-be buyer of their intention to serve a notice of objection. Representations are then made by interested parties and a decision reached before the three months expire.

The DTI yesterday described the sending of such a letter as *"not uncommon"*. It was also at pains to stress that objections would not necessarily have been raised in the final resort. However one unaligned insurance analyst put it a little more strongly, terming the DTI's letter as "fairly unusual".

The whole affair needs to be seen in context, however. As the DTI also noted, bids like that of Hoylake – leveraged offers involving the control of a UK insurance company passing to a non-insurer – are fairly infrequent. And, as the DTI letter made clear, it is the "financial position of the proposed controller" and the "personal fitness of the proposed controllers and their associates" which seem to have provoked possible reservations.

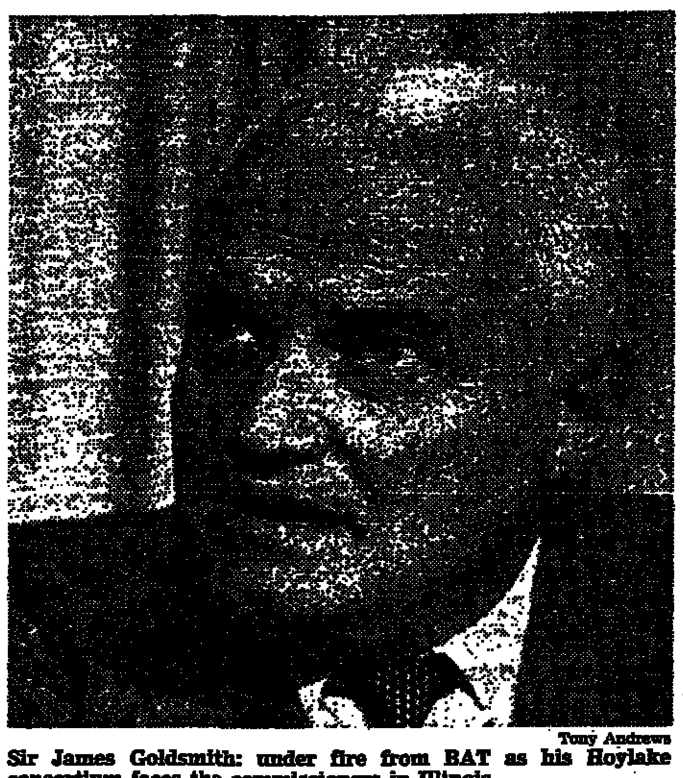
In the event, what appears to have happened after the sending of the letter is that Hoylake's lawyers persuaded the DTI that issuing a press release on the matter last September was not necessary.

The crucial Takeover Panel ruling was then made, and Hoylake was allowed to lapse its bid in order to pursue clearance from the US insurance regulators. As a result the DTI procedure also ground to a halt.

If Hoylake rebids for BAT, the procedure will start again from scratch. There is therefore no direct impact from the earlier DTI letter and the would-be bidder will be well-appraised of where potential concerns could lie.

Yesterday, BAT appeared anxious to broaden the implications of the DTI letter. In particular, it suggested that, had its existence been disclosed, this might have had some bearing on the Takeover Panel's decision to allow Hoylake to lapse its offer, pursue the US clearances and then rebid shortly afterwards. Such suggestions, however, did not appear to be cutting too much ice with the authorities.

What may be more worrying for the Hoylake camp, is that BAT appears to have further ammunition to fire in the course of the Illinois hearing.



Tony Andrews

Sir James Goldsmith: under fire from BAT as his Hoylake consortium faces the commissioners in Illinois

Yesterday, for example, Mr Stuart Chalfen, BAT's in-house lawyer, suggested that arguments would be put forward suggesting that a delay of several months could ensue between Hoylake gaining control of BAT and any on-sale of Farmers Group, its US insurance subsidiary, to Axa Midi Assurances of France, Hoylake's potential buyer.

He declined to elaborate on the reasons, saying that this would come out in the hearings. But the suggestion is potentially irksome for Hoylake.

It has been at pains to suggest that the commissioners need concentrate only on Axa, as the ultimate owner of Farmers. Hoylake, it argues, is only a conduit, an argument which becomes rather strained if lengthy delays are possible before the handover is completed.

The latest round in this long-running battle, it seems, is only beginning.

Loss-making Mainmet may be sold for nominal sum

By Clare Pearson

MAINMET, the small USM-quoted manufacturer of metering equipment and controls, may be sold for a nominal sum as a result of a rescue package it is trying to put together.

The company, valued at £3.7m when its shares were suspended at 60p last week, has sunk into a pre-tax loss of over £650,000 for the first half of the year, but it hopes to recoup part of this as an exceptional credit.

The company said yesterday it was "currently in talks with a third party with a view to the potential formulation of a rescue package . . . which may or may not lead to an offer being made for the whole of the issued share capital . . . at a nominal sum."

It also said pre-tax profits originally announced at £329,000 in the year to end-May 1989 may have to be restated, and cut to as little as £89,000. It said the adjustment related to reductions in sales for that year where, due to subsequent events, it had become apparent these items may have been incorrectly treated as sales.

Directors of Mainmet were not available to comment on the statement yesterday.

Meggitt Holdings, the engineering company with a near-10 per cent holding in the shares, last week said the share suspension had come as a surprise and it was not involved.

Directors at ISS Group, the Danish-based cleaning and building maintenance company with a strong UK presence and which holds 11.2 per cent, could not be reached yesterday.

Mr George Towler, chairman, resigned from the Mainmet board last December. Mr Gerald Atkins has since held the post in a caretaker role.

Mainmet's chief customers are local authorities. An analyst commented yesterday that this has meant it has been dependent on bulky orders and also vulnerable to squeezes on local authority spending.

The hoped-for exceptional credit in the half-year period is based on a claim for compensation relating to early termination of service contracts arising from a customer's decision to demolish a housing estate. The amount is £233,000.

Growth in sales in the future have been expected to come partly from supplying card operated systems for combined district heating, in line with growing concerns about conserving energy.

It has also been hoped *schools, as buyers of its* prepaid card equipment for school lunches, will become bigger customers.

Publisher builds stake in Bristol Post

By John Thornhill

MR DAVID SULLIVAN, publisher of Sunday Sport and "girlie" magazines, is now eyeing up the assets of the Bristol Evening Post. He revealed yesterday that he had bought a 7.4 per cent shareholding in the newspaper, retail and property group.

"I think the shares are cheap and it is a good long-term investment. It is an under-publicised company. It is not traded very much and it has an artificially low price in my opinion. I intend to increase my holding," Mr Sullivan said.

The Post, which owns a string of newspapers and convenience stores as well as an investment property arm, has had a strong trading record over the past few years taking pre-tax profits to a peak of £8.1m in 1989.

However, in the past six months, progress seemed to have been stalled because of lower advertising revenues and trading profits only 2 per cent ahead at £3.87m.

The Post's shares climbed to 375p before the announcement, before finishing 13p ahead on the day at 363p. At the closing price, the company has a market value of £59.3m.

Mr Sullivan's racy image has, in the past, tended to hide his abilities as a rather canny investor. Early last year, he bought a 5 per cent shareholding in Portsmouth and Sunderland Newspapers but sold his stake within days to Associated Newspapers realising a considerable profit on the deal.

He said yesterday this was not the scenario he had originally expected. "It was a great shock to me that someone offered me an immediate profit," he said.

Mr Sullivan did not rule out making a full takeover offer for the Post – "It is one of a number of possibilities" – but said he was interested in the company as a long-term investment. "I now hope to talk to the board and suggest how they can increase profits," he said.

"I believe that newspaper titles have great value as brand names. Analysts tend to look at multiples and profits but I believe in valuing them in terms of assets," he explained, claiming that the Post had considerable freehold property assets.

Mr Sullivan is now the second largest shareholder in the *Post behind Associated* Newspapers and related companies, which have a 29.9 per cent stake.

Property disposals help enlarged Pavilion to £8.2m

By Andrew Bolger

PAVILION LEISURE, the property and leisure group, reported a pre-tax profit of £8.22m on turnover of £57.38m in the year ended October 31. The results compared with profits of £3.91m on turnover of £32.07m.

In July, Pavilion completed its £57m agreed reverse takeover of Parkdale Holdings, the property and leisure group which included the Select Country Hotels group and the Clifford Barnett Group, specialising in the development of leisure facilities.

The comparative results have been adjusted to include the results of the merged groups for the 10 months to the end of October 1988. The results of Astra Leisure and Hawkstone Park Hotel have been included from their date of acquisition.

Mr George Martin, chief executive and a former chief executive of Pleasurama and LandLeisure, said that during the period Pavilion had disposed of properties worth £28m and gearing at the year-end was 55 per cent.

He added: "In line with the *policy of realising* Parkdale's commercial property portfolio, further commercial properties have been sold since the year-end, giving total disposals of 30 properties. In view of the prevailing property market conditions your board are actively exploring the planning and letting opportunities of the remaining three commercial sites with a view to maximising the value on the ultimate sale of the sites."

"Last year saw the completion of a number of the historic Clifford Barnett contracts which provided high turnover but lower margins than expected. In the current year this company's business is performing well with new contracts having been won, leaving the company well placed to take advantage of its niche market in the development and operation of local authority leisure activities."

The company also had high hopes for S&P Pavilion, a joint venture company which had been set up with two architects, Mr Peter Sargent and Mr Mark Potiriadis, to develop and operate private health and leisure projects.

Fully diluted earnings per share were 11.88p (5.38p).

A final dividend of 3.5p is proposed, making a total for the year of 4.5p against 3p.

● COMMENT

Given the transformation in Pavilion since it reversed into Parkdale, there is little with which these merger-accounted figures can be meaningfully compared. Profits were in line with expectations and mainly came from property disposals. These are proceeding at a slower rate than predicted, and the softness of property prices and the effects of high interest rates have obviously dictated Pavilion's cautious approach to its remaining sites. Analysts forecast pre-tax profits of £10m and earnings of 13.8p. At 85p, down 2p, that puts the shares on an undemanding multiple of a little more than 6. They are primarily a vehicle for those prepared to back the judgment and track record of Mr Martin. Any downside is limited by the underlying net asset value, which new house brokers Kitkat and Aitken put at 140p per share.

Tate & Lyle completes sale of Staley interests

By Clay Harris

TATE & LYLE, the sweeteners group, yesterday completed the disposal of the main peripheral interests held by Staley, the US corn syrup company it bought for \$1.48bn (£820m) in 1988. Only a fish farm in Chile now remains to be sold.

The latest disposals are a 25 per cent stake in Genencor, a California-based company which develops and sells industrial enzymes, and a 75 per cent holding in Hendricks and Sommer/Stapol, a West German-Swiss manufacturer of resins for the paint and polish industries.

Tate received \$19m for the first holding, which was sold to a joint venture between Cultor and Eastman Kodak, one of Staley's partners in Genencor along with Corning and Genentech. The resin interests were bought for \$18m by Coates Brothers/Orkem, the Anglo-French inks group.

Both companies had been held as assets for disposal and did not figure in Tate's 1988-89 profit and loss account.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acsis § ....fin	0.7†	Apr 30	0.6	1	0.8
Adscene ....int	2	Apr 11	2	-	6
Aukett Assocs ....fin	2.75	Mar 8	3	4	3
Courts (Furnish) ....int	1.83	Apr 6	1.83	-	5
Kingsgrange ....int	nil	-	0.75	-	0.75
Pavilion Leisure ....fin	3.5☆	May 18	-	4.5	-
Practical Inv ....int	1	-	1	-	2.2‡
Ryan Hotels ....fin	1.25♣	-	1	1.75	1.5
Saville Gordon ....int	0.5	Apr 6	0.4	-	2
Wiggins ....int	nil	-	3	-	9
Wood (John D) § ....int	1.5	Apr 2	1.5	-	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Excludes special payment of 1.01p. ♣Irish currency throughout. ☆Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aberdeen Steak Houses, Associated Nursing Services, Electron House, Flogas, Highland Electronics, Hilclare, Lebowa Platinum Mines, Newman Tonks, Property Security Investment Trust, Rustenburg Platinum, Wentworth International.

Finals- Camford Engineering, Chrysalis, Company of Designers, Continental Assets Trust, Gestetner, Shell Oil.

FUTURE DATES

Interims-

Admiral Computing	Mar. 1
Sirae	Feb. 8
Glaxo	Mar. 15
Platignum	Jan. 31
Toothill (RW)	Jan. 29
Wolseley	Mar. 15

Finals-

Cooper (Alan)	Feb. 28
Dewey Warren	Jan. 29
SMI	Mar. 19
Kleen-E-Ze	Feb. 2
Persimmon	Mar. 5
Steetley	Mar. 27
Tilley International	Jan. 31
Updown Investment	Feb. 27
WPP	Mar. 8

TECHNOLOGY

Post Office counters its paper image

British Post Offices are to be computerised. Terminals and screens will replace some of the piles of paper that have dominated the lives of clerks for generations.

John Roberts, managing director of Post Office Counters, yesterday announced a pilot scheme in 90 Post Offices in the Thames Valley. This will form the basis for one of Europe's largest retail automation programmes, costing well over £100m.

The first stage of the project gives customers, via the clerks, instant access to Girobank, the Driver Vehicle Licensing Centre and the National Savings scheme.

Within two years, the Post Office expects to have extended the range of computer services, so that various household bills can be paid through the computers on the other side of the counter.

Visa credit card holders will be able to get instant cash and customers will be able to get information on the cost of postal services. The system will also allow staff to automatically balance their books at their terminals.

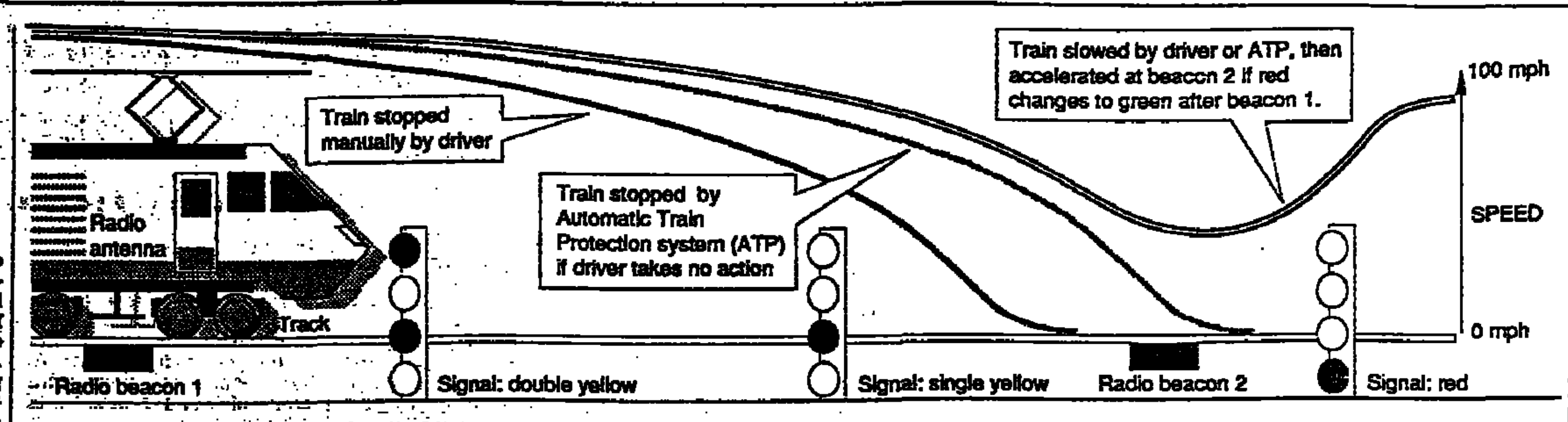
There are 20,000 Post Offices in the UK, half in rural areas and half in towns. What Roberts described as "Britain's best known shop" handles £86bn every year.

He said 3,000 of the busiest shops, accounting for 60 per cent of the total business, would be computerised over the next four to five years.

The scheme is based on a central Tandem 4VLX computer at the Post Office Information Technology headquarters at Farnborough, Hampshire. This computer is linked to the individual Nixdorf 8810/PT terminals at each Post Office via a private X25 packet switching network, supplied by Plessey-Telenet. The software is from Software Sciences, a subsidiary of Thorn EMI and Nixdorf UK.

The modernisation programme has been designed not only to improve existing operations, but also to help the Post Office expand into new sectors, such as insurance and banking.

Lynton McLain



Lynton McLain reports on British Rail's exploration of automatic train protection

Danger signals lead to a safer track

Railways evoke great surges of public interest when accidents happen and new technology is one way of calming worried travellers.

The first steps towards an important technological change in the way rail safety is tackled will be unveiled by British Rail next month, when it will announce two pilot projects for automatic train protection (ATP).

With ATP, the driver will not be made redundant, but if he misses a signal, the train will be stopped for him.

ATP systems are already in use or being tested in Sweden, West Germany, France, Belgium, Holland and Denmark, but the BR scheme will be one of the biggest. Its development has been hastened in the wake of the Clapham rail accident of December 1988, which killed 35 people — although ATP would not have prevented it as the cause was faulty signal wiring.

BR could spend as much as £380m on ATP. This has made it a focus of interest for manufacturers that include Ericsson, in Scandinavia, GEC-Alsthom, in France and Britain, and Siemens in Germany, each of which has different technical solutions.

Consideration of ATP was under way before the Clapham accident because of an increase in the number of trains rolling through red danger signals. The incidence rose each year from 1985 to 1988, with the total going up from 661 to 846, according to evidence given by Ivor Warburton, BR's director of operations, at another crash inquiry.

The number of accidents has also risen. The latest Railway Inspectorate report on rail safety showed there were 1,330 of them in 1988, compared with 1,165 in 1987. "The number of significant accidents was 226, an increase of 26 over the previous year," said Robin Seymour, the chief inspector. The figures included 86 serious collisions, "an appreciable increase over recent years."

One fatal crash which ATP might have prevented was that at Purley in Surrey last March, because it involved a driver passing a danger signal. Five people were killed and 87 injured. Train drivers had passed the red signal four times at Purley before the crash. All incidents were put down to driver error, according to Laurence Page, area signal maintenance engineer for BR's south central area.

Whatever the reasons for the breaches of safety regulations, British Rail has recognised that ATP technology can offer a second line of defence.

At the moment all that exists is an automatic warning system, which helps drivers in fog or other difficult driving conditions by giving a positive indication in the cab that he needs to apply the brakes, or that the line is clear, or that he should proceed with caution.

But this is only a warning system. A driver could acknowledge a warning by cancelling a button and then ignore it. There is no fail-safe system except the repetition of the warning at the next signal, by which time it could be too late.

Train protection systems supervise the action of a driver. Since the Clapham accident, BR has said it will install ATP on routes covering 80 per cent of passenger miles within 10 years.

Theoretically, trains could be operated entirely automatically, with links between trains, danger points on the lines and a central data processor. Fail-safe procedures could be built into such an automatic network.

BR is stopping short of this, not least because it does not believe the public would be prepared to accept mainline trains without drivers. Yet the reality of automatic train protection is that the trains are ultimately controlled by a computer.

The organisation is exploring different systems for protecting its trains and believes that its final choice will have an impact on the type of technology available for the rail market for the foreseeable future. European manufacturers were invited last autumn to bid for the installation of pilot ATP schemes on the Chiltern commuter lines between Marylebone, London, and Aylesbury/Banbury and on the main line between Paddington, London, and Bristol.

The Paddington experiment is designed to test the system's performance on a high-speed line and to assess the effect that it has on railway services as a whole. The exercise will give BR experience of the problem of fitting the new equipment to existing trains.

The overall aim is to keep the existing warning system, but to monitor the subsequent actions of the driver.

At the heart of ATP is a microprocessor on board the locomotive, which keeps track of the state of the train: its speed, acceleration and distance travelled.

Calculations of the rate of deceleration will be made on the basis of information which the driver fed into the processor before the journey began. For example, the system will be told whether the locomotive is pulling a 4,000-tonne cargo of iron ore or two passenger carriages, and what speed is authorised for the type of train. It will play back the data for the driver to check.

The microprocessor receives data via an antenna mounted under the locomotive, from a radio beacon in the middle of the track. The data about the state of the line ahead is correlated with what the processor already knows about the train.

Any data which involves the train operating outside pre-determined limits is rejected. For instance, the locomotive could not be instructed to pull a 4,000-tonne freight train at 125 mph when its safe speed is 65 mph.

The on-board computer gives a warning to the driver that he should brake, as the train approaches the first warning signal, a double yellow light. If the driver does not brake in time to bring it to a halt before the red signal, the ATP system will stop the train.

Two different train protection technologies are being considered by BR. One is continuous monitoring of the train by the on-board computer. This technique is used for the French TGV and metro lines, which involve central control of trains with a high degree of automation. Continuous control is suitable for new lines and is likely to be used for the Channel Tunnel.

The technique of intermittent monitoring is more suitable for retro-fitting to existing lines and rolling stock. It is likely to be the approach chosen by BR, although it insists that it is interested first and foremost in the performance of the system.

The intermittent technology itself has two variants. The microprocessor can continuously monitor train operations until a train passes over a beacon, when it is updated, or it can be passive and activated by a transponder only when the train is over the beacon.

Sweden was the first country to develop and install intermittent monitoring. The long, unrelieved journeys of iron ore trains in Sweden and concern about alcoholism among railway employees led to the development of some of Europe's first train protection systems.

The intermittent system is suitable for a wide range of train types and can readily be bolted on to existing railway infrastructures. It has no connection with a centralised train control systems and is linked only to the signal itself.

In contrast, the continuous technique linked to a central control system enables engineers to do away with conventional signalling.

Another of BR's concerns is that although the manufacturers may well have cracked the problem of stopping a train automatically if it goes through a red signal, current systems may emphasise stopping the train at the expense of efficient running.

For this reason it is also seeking a way of minimising unnecessary speed reductions, as shown in the top line of the diagram. One of the purposes of running the pilot schemes is to find an optimum level of safety while causing minimum disruption to train timetables — and meeting the Government criterion of a real rate of return of 8 per cent on rail investment.

A penetrating view of the Earth's hidden resources

Egypt's ancient river beds, recently identified beneath the eastern Sahara by radar images obtained from space, are already yielding subterranean water to improve the land. The next generation of commercial radar remote-sensing equipment is now being planned and this time one of the focuses will be the oceans.

Canada, members of the European Space Agency (ESA) and Japan are preparing to join the US and the Soviet Union in dispatching radar-equipped space vehicles, which will probably collect more data about the oceans in the next six years than have been collected in the past century.

The Canadian Government has just announced a C$441m (£230m) project to launch a radar satellite that will generate another swathe of information about the surface of the planet. The repercussions will be felt in activities ranging from long-term weather forecasting and agriculture to commodity trading and offshore oil exploration.

Radarsat, due to be launched in 1994, will be able to register precise radar images of both land and sea, even in the dark and through thick cloud cover. The initial scientific programme involves compiling the first radar map of the Antarctic, in collaboration with the US National Aeronautics and Space Administration.

Radarsat will emit a signal that penetrates the clouds and bounces back from the surfaces below. The satellite will then collect its data by comparing the transmitted beam with its reflection. The difference between the two can identify such valuable resources as water in the Sahara desert.

Placed in polar orbit at an altitude of 800 km, the microwave radar system carried by the Canadian space vehicle will monitor the physical properties of land, water and ice and register the movement of waves, ice, ships and even nuclear submarines. The entire planet will be scanned every 16 days.

Two other civilian radar satellite programmes, designed principally for the remote sensing of the oceans, are being prepared for the early 1990s. Equipment designed for the new space vehicles, to be launched by the ESA and Japan, will study the main ocean currents, measure the height of waves and track the speed and direction of winds, helping analysts to predict their behaviour.

Radar surveillance proved its worth in the Sahara, where each of the seven experimental wells drilled by the Egyptians in the Selima Sand Sheet, part of the almost entirely uninhabited Arabian Desert near the Sudanese border, has yielded a rich water supply.

The drilling was part of a long series of investigations that confirmed the radar mapping of the region carried out by equipment aboard the second flight of the US space shuttle Columbia, in November 1981.

The flight produced a set of images depicting what was happening below the earth's surface. This identified an unknown series of subterranean river beds — some of them as wide as the Nile and perhaps 40m years old — hidden by sand. The radar even picked out abandoned Stone Age settlements.

The Egyptian discovery was greeted with surprise and scepticism, for the region under surveillance was one of the driest and most forbidding expanses on Earth.

Specialists from Egypt and the US, representing geological surveys, various universities and the makers of Columbia's radar equipment, eventually confirmed the findings after exploring the area on foot.

Gerry Schaber, an American geologist, reported in the scientific press that the radar had penetrated the surface "through at least one metre in the sand sheets and perhaps several metres through active dune fields."

The drilling conducted on the basis of the radar map has since tapped a subterranean water supply which is believed to be sufficient to sustain irrigated agriculture over 121,500 hectares. The region is rich in alluvium — once-fertile soil that can be made to work again. An experimental farm is already blooming.

Thomas Land

TECHNOLOGY MARKET

COMMODITIES AND AGRICULTURE

'Mad cow' ban threatens breeders

By Tim Dickson in Brussels

A BAN on all British exports to the European Community of live cattle over the age of six months is expected to take effect from the beginning of March in a development which will hit the UK's valuable breeding trade.

The action is the latest twist in the row over "mad cow" disease – or bovine spongiform encephalopathy – which in recent days has been transformed from a largely technical issue for EC vets into a major political embarrassment for the UK Government.

The issue came to a head in Brussels yesterday when EC Farm Ministers considered a proposal from the Commission to extend the current ban on live animals born before July 1988 to all those older than six months. Mr John Gummer, the UK Farm Minister, had Irish and Greek support for his view that this was unnecessarily harsh but Britain could not muster enough votes from other member states to overturn the measure.

When there is not the necessary qualified majority to secure agreement in the Council, the Commission is entitled to proceed with its proposal for a regulation 14 days after formally notifying it to the member states. The expectation in Brussels last night is that the date for legal implementation will be March 1.

John Gummer: Supported by the Irish and Greek Ministers

British officials and farm representatives pointed out last night that the measure will not affect UK trade in veal calves, which are typically sent to EC countries like the Netherlands and France for fattening and early slaughter. (Under the Commission regulation animals exported under six months will have to be killed by the importing country when they reach that age).

However, what will be lost is the UK's valuable trade in breeding animals like the Aberdeen Angus and Highland cattle which is worth nearly £6m a year. Breeders clearly fear that the EC action could be followed by other countries.

The Commission's main justification for tightening up the ban was to put consumers in other EC countries on the same footing as those in the UK. Last summer the EC agreed to halt exports of British cattle born after July 1988 – the date on which the meat and bone meal feed thought to be responsible for the mad cow disease was outlawed – and won from Britain an assurance that animals which were exported would not come from affected dams. In November, however, Britain took the separate "precaution" of taking certain suspect offals from animals aged over six months out of the human food chain. These included the spleen, spinal cord, brain, tonsils, thymus and intestines.

Anxious that other member states would have to ensure that British animals were slaughtered after six months so that the same parts would be removed, the Commission decided that a total ban on animals over this age was the only appropriate course.

The prohibition on trade in *live* animals has been confused with the quite separate issue of West Germany's unilateral restrictions on imports of certain forms of British *beef* (those where the bones have not been removed). In the light of recent evidence from the special EC scientific group set up to study the problem – it concluded that "meat from boned animals in countries in which BSE occurs is not considered to be dangerous to public health" – Mr Gummer has been threatening to ask the Commission to take the Bonn Government to the European Court.

Mr Raymond MacSharry, the EC Agriculture Commissioner, yesterday drew attention to the findings of the experts and the absence of any danger to human health – a contribution which Mr Gummer interpreted as a clear endorsement of the safety of British beef.

Mr Ignaz Kiechle, the Bonn Farm Minister, hinted yesterday that the German restrictions will be reconsidered while officials argued that the issue had been exaggerated and that the "ban" was in any case not being rigorously applied.

Aid approved for Poland and Romania

By David Buchan in Brussels

EC FARM Ministers yesterday approved a total of Ecu68.8m (£50m) in food aid to Poland and Romania, as the European Commission promised that local currency proceeds from the sale of EC food in Poland would help break the communist party's control on agricultural inputs and food distribution.

In proposing the food aid package, Mr Raymond MacSharry, the EC Agriculture Commissioner, who visited Poland ten days ago, told EC Ministers that he was "very preoccupied" that "the communist party bosses," rather than the state itself, still controlled farm inputs and food distribution.

The Polish Government shared his concern, Mr MacSharry said, and was trying to pass legislation allowing Poland's overwhelmingly private farm sector to buy into these monopolies. But the Commissioner said that the Community's "counterpart" fund would finance the setting up of small-scale animal slaughter and food processing plants to compete with the monopolies.

EC food aid, including shipments worth Ecu110m last year and the latest slice of Ecu28.8m for bread wheat approved yesterday, is to be given free of charge to the Warsaw Government which will then sell it for local currency. The zloty proceeds are to be put into this counterpart fund, out of which loans to the private farm sector would be made.

The EC was giving Poland a further 300,000 tonnes of bread wheat, on top of the 500,000 tonnes it had already dispatched to the country, because, as Mr MacSharry explained, Poland's private farmer were still withholding up to 1.5m tonnes of wheat from last year's good harvest. With prices rising 50 per cent in this month alone, the farmers are evidently waiting until March-April to get an even better return before putting their grain on the market. The army is also apparently holding some stocks.

Romania is to get 125,000 tonnes of maize, 125,000 tonnes of rye, 20,000 tonnes of beef, and 5,000 tonnes each of butter and olive oil – worth a total Ecu40m. In contrast to Poland, Romania will transport the food in its own trucks and trains. Proceeds from the food sale will be put into a special account in Bucharest, which could form another counterpart fund. However, Brussels is waiting to for the Community to make a political decision to extend to Romania the full range of aid it has granted Poland and Hungary, before embarking on a full assessment of Romanian farming's problems, as distinct from the immediate food needs of its population.

The EC Commission is clearly becoming sensitive about raiding the Community's agricultural price support fund to help Eastern Europe. More than half – Ecu48.8m – of the new aid for Poland and Romania will be, in the interests of speed and convenience, "pre-financed" out of the EC price support fund, but the latter will be topped up in a supplementary "East European" budget for the Community later this year.

As it stands, the EC's 1990 budget contains Ecu300m for Poland and Hungary, of which, Mr MacSharry said yesterday, a third would be earmarked to supply Polish farmers with pesticides, second-hand tractors and the like.

'Era of prosperity' forecast for copper

By Kenneth Gooding, Mining Correspondent

COPPER CONSUMPTION this year is likely to outpace supplies of refined metal, leading to a run-down of stocks which would put considerable upward pressure on prices, says James Capel, the securities house, in its latest review of the metal markets.

Capel suggests that the recent weakness in the copper market – the London Metal Exchange cash price fell another £34 yesterday to a 17-month low of £1,335.50 a tonne – is an indication that the market is being influenced too heavily by events in the US.

"Outside the US, business appears to be bubbling along, particularly in Europe and the Far East where auto production, construction and increased demand for power and telecommunications cable are all keeping brass and wire mills busy.

"Looking at just the OECD is no longer enough when it comes to assessing future copper demand," Capel asserts.

Industrial production in the older economies of the West will rise by 2.5 per cent in 1990 and in the newer economies (including Japan) it is growing at an average of 5 per cent, Capel estimates.

Consequently, western world copper consumption is expected to rise by 3.5 per cent in 1990 from 8.2m to 8.5m tonnes.

Assuming that there are no production problems – other than at the Bougainville mine in Papua New Guinea which is likely to remain closed all year – Capel estimates that mine production of copper will rise by 2.9 per cent to 7.2m tonnes. (With Bougainville output would have been up 5.7 per cent to 7.4m tonnes).

Production of refined metal appears to have been stretched to the limit in 1989 with scrap availability becoming progressively tighter and the market is now begining to feel the full impact of the closure of Bougainville since last May. Production of refined copper is therefore forecast to rise by only 100,000 tonnes to 8.3m tonnes.

The 200,000 tonnes difference between supply and demand will come from net imports from the Eastern bloc – which Capel suggests will fall to 80,000 tonnes "as economic revitalisation reduces the availability of copper" – and from inventories.

"With inventories likely to fall this year there could be considerable upward pressure on the price," Capel points out. "We are convinced that we could be embarking on an extended era of prosperity for copper producers."

Venezuela struggles to realise golden potential

Orderly development of the haphazard gold sector has been given a high priority, reports Joe Mann

WHEN CARLOS Andrez Perez was president of Venezuela during the 1970s, his oil-rich Government nationalised industrial gold mining operations owned by foreigners.

Now that Mr Perez is president once again, his financially strapped Government is trying to develop new gold production with the help of foreign capital, by attracting industrial-scale investments.

Venezuela has produced gold on an irregular basis for many years, and there is great potential for new production from surface and shaft mining in the vast Guayana region located in the southeast.

The last Government, in office from 1984-89, carried out some prospecting in Guayana and estimated that there were 8,000 tonnes of gold reserves located in just a few areas of this mineral-rich zone. Of the total, around 5,000 tonnes could be extracted through surface mining techniques, officials said.

The previous administration also opened up gold mining to two foreign companies in the hope of obtaining new revenues from exports of refined gold. Monarch Resources and Greenwich Resources were granted the rights to exploit concessions in the Guayana region.

Monarch has been working on several projects in partnership with the CVG, an industrial holding company owned by the Venezuelan Government, and with Venezuelan investors. Last December, Monarch and its partners inaugurated a facility, El Callao, with a capacity for processing 600,000 tonnes of gold tailings a year and producing 700 kg of gold.

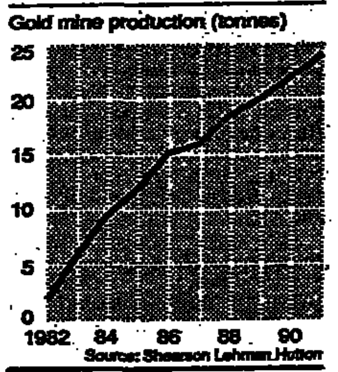
The CVG has built a heavy *industry centre* in Guayana and is responsible for overall development of this 458,000 sq km region.

Greenwich, which keeps a low profile in Venezuela, is mining gold with a local partner.

Up to now, most gold produced in Venezuela has been extracted from Guayana's soil in a haphazard manner by thousands of individual miners – often illegal aliens – and by small mining operations. The Venezuelan Government also owns a gold-mining company, Minerva, which produced 1.6 tonnes of gold last year.

Venezuela

Gold mine production (tonnes)



Source: Shearson Lehman Hutton

No one is quite sure how much gold is produced each year in Venezuela. The Minister of Energy and Mines, Celestino Armas, said that the Government believed actual gold production in 1988 reached 27 tonnes, while officially declared production for the year was only 2 to 3 tonnes.

In 1987, Venezuela's Central Bank began paying international prices to miners in order to cut down on contraband gold exports. The bank then began exporting non-monetary gold, and earned $297.4m in 1988 from this activity.

The current Government and its predecessor have said that gold-mining is a high priority area, and that the country could produce around 250 tonnes of gold a year by the turn of the century.

But progress has been slow under the current administration, now in office for just under a year. The Perez Government has promised to initiate a major prospecting programme for the Guayana region; liberalise mining tax laws, and ease restrictions on granting concessions and on foreign investments in general.

While the CVG is working on an inventory of minerals in Guayana, there has been little movement in other areas. The Perez Government and the CVG, which is fully owned by the state, are interested in allowing foreign companies to develop gold-mining on a large scale, but many Venezuelans are highly suspicious of any foreign participation.

Moreover, the Government has dragged its feet on producing changes of rules on mineral concessions, tax laws, and foreign investment norms. In addition, there are sharp differences of opinion between government officials who want to open up Guayana to large-scale gold-mining and those who wish to maintain a tight rein on development in a region where government controls have mostly been a fiction.

Rubber prices close to 'must buy' support level

By Lim Siong Hoon in Kuala Lumpur

RUBBER PRICES have slipped closer to the 174 Malaysian/Singapore cents a kilogram "must buy" level of the International Natural Rubber Organisation. The five-day moving average indicator price is at 181 Malaysian/Singapore cents a kilogram, 5 cents above the level the buffer stock manager must intervene to prop up the market. Prices were last at this level early in 1987.

The manager has persistently stayed out of the market, although prices last month were hovering a cent or two below the 185 Malaysian/Singapore cent "may buy" price. Inro argues that intervention was unnecessary while the market remained fairly steady.

The organisation's indicator price (a composite of prices traded in Kuala Lumpur Singapore, London and New York) may be falling, but not the RSS No 1, one of the three rubber grade prices that make it up. The other grades are RSS No 3 and TSR 20. February contracts for RSS No. 1, also the Malaysian benchmark grade, is still at 224 Malaysian cents a kilogram. Prices for this grade have moved between 223 and 225 Malaysian cents since the begining of December. Of the two other grades, the price fall is greater in RSS No 3.

The three biggest rubber producers supplies all three grades, but in varying proportions.

Smaller cocoa surplus forecast

THE INTERNATIONAL Cocoa Organisation has revised its estimate for the 1989-90 world cocoa surplus downwards to 182,000 tonnes from its November forecast of 203,000 tonnes, writes David Blackwell. This would be the sixth consecutive year of surplus and compares with a 1988-89 surplus of 293,000 tonnes.

It has left the forecast for 1989-90 output virtually unchanged at 2.4m tonnes, compared with the previous year's 2.41m tonnes. But the grindings figure is now expected to be 4.9 per cent up on 1988-89 at 2.2m tonnes, reflecting upward adjustments for Malaysia, the Netherlands and Nigeria. The surplus is calculated after reducing the gross crop figure by 1 per cent to compensate for evaporation.

Groundnut supplies

WORLD GROUNDNUT oil supplies are expected to fall by almost 500,000 tonnes to 4m tonnes in 1989-90 according to the newsletter Oil World, reports Reuter from Hamburg.

Output in India, the main producer, is forecast to fall 14 per cent to 1.5m tonnes, with China's down 12 per cent at 1.1m tonnes. Senegal, the main exporter, is expected to ship 40 per cent less at 76,000 tonnes.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,670-1,700 (1,650-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.90-4.30 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.80-5.10 (4.90-5.15).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.60-7.85 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 235-245 (240-250).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.55-2.65 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.10 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 41-59 (42-61).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.10-2.30 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.20 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD prices closed ahead on the bullion market yesterday following a late rally spurred by a drop in the dollar. Dealers said shortcovering and stop-loss buying, along with weakness in Wall Street stocks, helped to encourage the advance. The March coffee contract touched £576 a tonne during the day before recovering to close at £583 a tonne, still a fresh 14-year low. Some traders expect support at £575 a tonne. However, lower prices are being forecast in the absence of any fresh news. On the LME nickel prices were again in retreat on long liquidation and fresh selling, with the fall gathering momentum once three-month metal breached the $6,000-a-tonne level. Some analysts are now predicting a decline to $5,000 a tonne before significant consumer demand appears.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.25-6.30z	-0.20
Brent Blend	$19.25-9.30z	-.275
W.T.I. (1 pm est)	$21.35-1.40z	-0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$211-212	-1
Gas Oil	$167-169	-6.5
Heavy Fuel Oil	$87-89	-5
Naphtha	$197-199	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$409.75	+4.50
Silver (per troy oz)♣	529c	+10
Platinum (per troy oz)	$498.25	+3.50
Palladium (per troy oz)	$134.45	-0.05
Aluminium (free market)	$1455	-25
Copper (US Producer)	104⅝-105c	-2
Lead (US Producer)	40.5c	
Nickel (free market)	275c	-15
Tin (Kuala Lumpur market)	17.42r	+0.10
Tin (New York)	302.0c	
Zinc (US Prime Western)	68¼c	
Cattle (live weight)†	109.79p	+0.43*
Sheep (dead weight)†	208.02p	+15.6*
Pigs (live weight)†	82.06p	+6.57*
London daily sugar (raw)	$354.0x	+13.4
London daily sugar (white)	$426.5x	+12.0
Tate and Lyle export price	£330.5	+9.0
Barley (English feed)	£115	-1
Maize (US No. 3 yellow)	£128	-0.5
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	53.25p	
Rubber (Feb)♥	55.25p	
Rubber (Mar)♥	56.25p	
Rubber (KL RSS No 1 Feb)	224.0m	
Coconut oil (Philippines)§	$435t	+5
Palm Oil (Malaysian)§	$280w	
Copra (Philippines)§	$260	
Soyabeans (US)	£165.5w	+0.5
Cotton "A" index	74.95c	-0.10
Wooltops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	629	626	632 623
May	643	639	647 634
Jul	657	655	660 649
Sep	672	672	675 666
Dec	696	694	700 689
Mar	715	712	716 708
May	725		726 720

Turnover: 6631 (2497) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Jan 23 759.79 (746.61):10 day average for Jan 24 759.26 (757.58)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	570	575	576 569
Mar	583	591	591 576
May	599	607	607 593
Jul	614	625	623 610
Sep	631	643	641 629
Nov	652	661	658 647
Jan	666	680	676 669

Turnover: 4732 (2469) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Jan 22: Comp. daily 62.52 (62.09). 15 day average 62.92 (62.94)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	324.40	323.60	329.20 324.00
May	323.60	322.40	327.60 323.20
Aug	321.60	320.40	324.40 321.40
Oct	313.40	312.20	316.00 313.00
Mar	293.00	292.40	296.00 292.00
May	291.80		294.00
White	**Close**	**Previous**	**High/Low**
Mar	420.0	414.0	423.0 413.0
May	422.0	415.0	425.5 414.5
Aug	424.5	419.8	427.5 421.5
Oct	392.0	388.0	396.0 391.5
Mar	360.0	358.0	367.5
May	360.0		367.5

Turnover: Raw 5949 (2848) lots of 50 tonnes. White 2279 (1249)

Paris- White (FFr per tonne): Mar 2440, May 2465, Aug 2500, Oct 2325, Dec 2190, Mar 2175.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Mar	19.27	19.70	19.47 19.21
Apr	18.82	19.12	18.92 18.74
May	18.45	18.70	18.50 18.43
Jun	18.22		18.22
IPE Index	19.87	19.80	

Turnover: 8740 (5864)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Feb	166.00	171.25	169.00 164.50
Mar	162.00	166.25	164.50 161.25
Apr	159.25	161.75	161.00 157.75
May	157.50	159.00	158.00 155.75
Jun	156.50	158.00	157.00 156.00
Jul	158.00		158.00 156.00
Aug	158.50		158.50 158.00
Sep	159.00		159.00

Turnover 11872 (6676)lots of 100 tonnes

JUTE

Febuary/March 1990 c and f Dundee BTC $580, BWC $580, BTD $540, BWD $540; c and f Antwerp BTC $560, BWC $550, BTD $525, BWD $515.

COTTON

Liverpool- Spot and shipment sales for the week ended January 19 amounted to 477 tonnes against 150 tonnes in the previous week. Slow trading persisted with dealings in Spanish, Chinese and Turkish styles.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 17,850 tonne
Cash	1466-7	1457-60	1455/1454	1454-5		
3 months	1487-8	1481-3	1492/1467	1476-8	1475-6	31,497 lots
Copper, Grade A (£ per tonne)						Ring turnover 26,200 tonne
Cash	1340-1	1369-70	1341/1336	1335-6		
3 months	1355-6	1384-5	1360/1330	1347-8	1342-3	61,674 lots
Lead (£ per tonne)						Ring turnover 6,900 tonne
Cash	418-20	418-9	415.5/415	415-5.5		
3 months	413.5-4	413-4	418/407	409-10	413-4	9,893 lots
Nickel ($ per tonne)						Ring turnover 1,050 tonne
Cash	6075-125	6200-50	5900/5875	5875-900		
3 months	5930-50	6100-25	6050/5800	5775-800	5900-30	6,589 lots
Tin ($ per tonne)						Ring turnover 605 tonne
Cash	6540-5	6510-35	6540	6540-50		
3 months	6660-70	6630-50	6680/6650	6665-70	6665-60	5,374 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 11,175 tonne
Cash	1265-7	1262-4	1264	1264-5		
3 months	1264-5	1266-7	1266/1248	1262-4	1260-2	15,492 lots
Zinc ($ per tonne)						Ring turnover 25 tonne
Cash	1250-60	1260-70	1257	1257-60		
March 30	1220-30	1230-40		1220-30		1,372 lots

LME Closing £/$ rate: SPOT: 1.6485 3 months: 1.6390 6 months: 1.5984 9 months: 1.5767

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	200.0	199.0	199.9 198.3
May	225.0	225.0	224.4 223.0

Turnover 89 (141) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	133.50		133.50
Apr	135.00	136.00	136.00 135.00

Turnover 220 (20) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1646	1655	1654 1646
Feb	1628	1645	1645 1630
Apr	1655	1664	1665 1655
Jul	1399	1410	1403 1399
Apr	1515		1515
BFI	1663	1668	

Turnover 449 (506)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	112.40	113.00	112.75
Mar	114.20	116.20	115.15 114.10
May	118.35	119.25	119.55 118.25
Jun	120.00	120.80	120.50 119.80

Barley	Close	Previous	High/Low
Jan	107.75	108.85	107.75
Mar	109.55	110.50	110.35 109.95
May	111.75	112.50	112.20 111.75

Turnover: Wheat 341 (290). Barley 90 (69). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	111.0	109.5	111.0
Jun	112.0		112.0

Turnover 39 (60) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	409½-410	249-249½
Opening	408¼-408¾	248¼-248¾
Morning fix	408.60	248.369
Afternoon fix	408.25	248.386
Day's high	409¾-410¼	
Day's low	407¾-408¼	

Coins	$ price	£ equivalent
Mapleleaf	417-422	254-257
Britannia	417-422	254-257
US Eagle	417-422	254-257
Angel	417-422	254-257
Krugerrand	407-410	247½-249½
New Sov.	97-99	59-60
Old Sov.	97-99	59-60
Noble Plat	504.20-512.20	306.60-311.35

Silver fix	p/fine oz	US cts equiv
Spot	319.80	528.00
3 months	331.85	535.85
6 months	343.80	547.70
12 months	368.55	571.85

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	89	102	7	18
1500	27	43	43	54
1600	4	13	120	122
Copper (Grade A)	**Calls**		**Puts**	
2100	129	135	25	51
2200	66	82	63	96
2300	31	46	123	157
Coffee	**Mar**	**May**	**Mar**	**May**
550	45	62	13	14
600	19	33	37	35
650	7	16	75	68
Cocoa	**Mar**	**May**	**Mar**	**May**
600	34	60	5	15
650	8	32	29	39
700	1	15	72	72
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900	65	58	30	
1950	34	38	59	105
2000	20	26		

US MARKETS

IN THE METALS, gold futures had the most active sessions gaining $5.70, basis February. Silver kept its firm tone due to the force majuer news. Platinum followed the gold market with lighter volume. New contract lows were again seen in copper. The softs had higher prices in sugar and cocoa after speculative activity. Coffee closed lower from a correction. The grain markets were mixed after sideways trade. Livestocks futures all closed down due mostly to lower cash prices. Orange juice trading was choppy before closing down 85, basis March. Cotton prices swayed around unchanged levels for most of the day. The energy complex remained lower on carryover selling from Monday.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	413.0	407.2	0	0
Feb	413.7	408.0	415.0	408.0
Mar	416.3	410.5	0	0
Apr	419.4	413.6	420.6	413.7
Jun	424.8	418.9	426.3	419.4
Aug	429.9	423.9	431.0	425.0
Oct	435.2	429.1	431.0	431.0
Dec	440.4	434.2	441.0	434.3
Feb	445.7	439.4	443.5	441.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	497.6	495.0	0	0
Apr	504.6	502.0	506.0	501.5
Jul	511.0	508.5	512.0	508.0
Oct	517.7	515.5	516.0	514.6
Jan	525.1	523.0	525.5	523.5
Apr	532.6	530.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	529.4	526.8	0	0
Feb	529.8	527.4	0	0
Mar	534.0	531.5	536.0	529.6
May	542.4	539.9	544.5	538.0
Jul	550.6	548.0	552.0	546.0
Sep	559.2	556.5	558.0	556.0
Dec	571.2	568.3	572.0	567.0
Jan	574.8	571.9	0	0
Mar	583.6	580.7	580.5	580.0
May	591.5	588.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	100.10	100.85	100.40	98.40
Feb	98.15	100.25	98.15	97.60
Mar	97.45	98.75	97.90	.40
Apr	96.40	98.35	96.40	96.30
May	96.65	98.05	97.00	95.20
Jun	96.25	97.55	96.25	96.00
Jul	96.00	97.15	96.20	95.00
Aug	95.75	96.85	0	0
Sep	95.45	96.50	96.00	94.50
Oct	95.35	96.30	95.00	95.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 23	Jan 22	mnth ago	yr ago
1794.0	1794.3	1801.2	1967.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 22	Jan 19	mnth ago	yr ago
Spot	127.08	126.94	127.77	141.62
Futures	129.74	129.84	129.67	143.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	21.35	21.77	21.57	21.30
Apr	20.83	21.15	21.03	20.75
May	20.50	20.75	20.65	20.45
Jun	20.16	20.35	20.29	20.11
Aug	19.53	19.72	19.59	19.50
Sep	19.33	19.48	19.41	19.28
Oct	19.19	19.31	19.26	19.15

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5900	6099	6015	5860
Mar	5675	5800	5770	5670
Apr	5495	5550	5545	5470
May	5360	5390	5395	5320
Jun	5250	5265	5260	5190
Jul	5230	5215	5240	5185
Nov	5520	5460	5520	5520

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	972	954	975	942
May	969	949	970	941
Jul	984	966	984	954
Sep	999	981	1000	973
Dec	1023	1007	1023	999
Mar	1032	1025	1040	1013
May	1053	1035	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	80.06	81.49	81.50	80.00
May	81.50	82.49	82.75	81.30
Jul	83.50	84.27	84.45	83.10
Sep	85.25	86.30	86.45	85.25
Dec	87.63	88.75	88.75	88.00
Mar	89.88	90.10	90.50	90.50
May	92.13	92.13	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.71	14.60	14.90	14.68
May	14.65	14.56	14.85	14.63
Jul	14.48	14.41	14.67	14.47
Oct	14.09	14.06	14.27	14.09
Mar	13.34	13.25	13.52	13.31
May	13.20	13.16	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.79	66.71	67.05	66.25
May	68.00	67.82	68.15	67.54
Jul	68.30	67.92	68.35	67.60
Oct	65.86	65.80	66.00	65.40
Dec	64.67	64.58	64.70	64.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	204.50	205.35	205.75	203.50
May	204.85	203.85	205.85	203.00
Jul	204.50	203.95	205.50	203.40
Sep	197.00	201.40	202.00	197.00
Nov	194.75	199.25	199.50	194.25
Jan	191.25	196.25	196.75	191.25
Mar	189.45	194.45	190.00	190.00
May	190.25	194.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	610/4	608/4	610/4	609/0
Mar	587/2	588/0	589/6	585/4
May	580/6	579/0	581/6	578/4
Jul	591/4	590/0	593/0	589/6
Aug	595/0	594/4	596/0	593/4
Sep	595/4	593/4	595/0	594/0
Nov	601/4	599/4	602/4	599/0
Mar	620/4	618/0	620/4	618/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.11	18.93	19.18	18.96
May	19.51	19.34	19.57	19.35
Jul	19.80	19.64	19.87	19.66
Aug	19.85	19.68	19.93	19.72
Sep	19.91	19.69	19.96	19.85
Oct	19.90	19.80	20.03	19.90
Dec	20.00	19.95	20.15	20.00
Jan	20.00	19.97	20.00	20.01

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	183.5	183.6	183.0	184.0
Mar	171.9	170.9	172.2	171.2
May	174.3	173.3	174.5	173.6
Jul	176.9	175.9	177.0	176.3
Aug	178.0	177.0	178.2	177.6
Sep	179.0	178.2	179.3	178.9
Oct	180.3	179.2	180.5	180.0
Dec	183.4	182.7	183.5	182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	241/0	240/4	241/0	239/6
May	246/6	246/4	247/0	245/6
Jul	251/0	251/0	251/2	250/2
Sep	249/4	248/6	249/4	248/6
Dec	248/4	247/0	248/4	246/2
Mar	254/4	253/4	254/6	252/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	392/6	392/4	393/6	391/4
May	374/4	373/6	374/4	372/2
Jul	353/2	355/0	355/4	352/0
Sep	359/0	360/4	361/2	358/2
Dec	369/6	371/6	371/6	369/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	78.65	79.25	79.40	78.50
Apr	76.95	77.35	77.42	76.80
Jun	72.22	72.50	72.57	72.20
Aug	71.60	71.52	71.67	71.40
Oct	72.37	72.42	72.57	72.25
Dec	72.80	72.85	72.90	72.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.77	50.12	50.62	49.60
Apr	48.45	48.77	49.26	48.40
Jun	53.37	53.35	53.62	53.25
Jul	53.42	53.25	53.47	53.10
Aug	51.82	51.87	52.10	51.55
Oct	46.45	46.07	46.50	46.07
Dec	47.00	46.90	47.15	46.95

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	56.70	57.05	57.45	56.15
Mar	57.10	57.57	57.97	56.75
May	58.20	58.62	59.10	57.90
Jul	58.25	58.62	59.20	58.15
Aug	56.15	56.56	57.10	56.15
Feb	57.52	57.65	[illegible]	57.52

LONDON STOCK EXCHANGE

Early advance lost in active trading

THE LATEST support levels in UK equities proved effective for a while yesterday, although by the end of the session share prices were giving ground again as bearish factors, both domestic and international, reasserted themselves. In late trading, the market was unsettled both by an erratic opening to the new Wall Street session and by a downward revision of the UK 1989-90 Budget surplus estimate by Mr John Major, the Chancellor of the Exchequer.

The session started with signs of a revival of confidence. An early fall in share prices, reflecting Wall Street's 77 point setback overnight, triggered some good quality institutional buying of UK blue chips. Several of the larger securities firms produced as normal their own in-house computer estimates of the FT-SE Index before the first official calculation. Phillips & Drew estimated yesterday's early fall at 22 Footsie points; County NatWest suggested a decline of 24.

Account Dealing Dates		
*First Dealings:		
Jan 15	Jan 29	Feb 12
Option Declarations:		
Jan 25	Feb 8	Feb 25
Last Dealings:		
Jan 26	Feb 9	Feb 23
Account Day:		
Feb 5	Feb 19	Mar 5

*New time dealings may take place from 8.00 am two business days earlier.

These and similar estimates elsewhere activated early institutional buying instructions tied to the Index by investment funds. "Perhaps not exactly buying programmes in the full-blooded US sense, but having the same ratcheting effect on prices," commented one trader.

This welcome appearance of buyers swiftly took the FT-SE Index above the 2,300 mark again, for a net gain of nearly nine points at best. Buyers then backed off and the market was left to trade steadily, with its overall trend confused by problems at the Stock Exchange computer which caused some bizarre calculations of the Footsie Index. When normal service was resumed, the Index was still showing a small gain, although this was reversed as Wall Street opened uncertainly.

The final reading showed the FT-SE at 2,291.1, a net fall on the day of 6 points, with the 2,280-2,300 support area still in place. Trading volume increased over recent levels, with the improvement showing itself early when the market was on the bull tack. Seaq volume jumped to 544.3m shares from Monday's 307.1m.

Another possible sign of returning confidence was an increase in bid speculation. Prospects for a successful bid for BAT Industries by Hoylake, the Sir James Goldsmith-led consortium, seemed dimmed by a preliminary objection from the UK Department of Trade and Industry but this also served to switch speculative interest to other potential bid targets.

However, UK traders remain under no illusions as to the major factors overshadowing London. Wall Street's uncertain opening ahead of the round of Federal securities auctions left them backing away from international stocks and increasingly nervous in anticipating the opening of trading in UK markets this morning.

FINANCIAL TIMES STOCK INDICES

	Jan 23	Jan 22	Jan 19	Jan 18	Jan 17	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.24	81.34	81.58	81.04	81.62	88.37	89.29 (8/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.40	91.42	91.50	91.89	92.33	96.91	99.59 (15/3/89)	91.40 (23/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1839.6	1840.1	1868.0	1864.4	1335.3	1580.7	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	43.4 (26/6/40)
Gold Mines	319.2	321.8	329.4	342.9	351.4	170.6	355.8 (16/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2291.1	2297.1	2335.0	2336.9	2373.9	1941.1	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord Div Yield	4.65	4.66	4.57	4.58	4.50	4.64				
Earning Yld %(full)	11.34	11.33	11.15	11.18	10.99	11.88				
P/E Ratio(Net)(*)	10.68	10.68	10.86	10.83	11.02	10.36				
SEAQ Bargains(5pm)	31,020	25,887	25,111	24,923	26,290	31,642				
Equity Turnover(£m)†	-	542.91	729.71	914.99	831.94	1327.65				
Equity Bargains†	-	24,277	24,128	24,565	25,186	36,022				
Shares Traded (ml)†	-	273.2	359.6	374.5	364.5	554.7				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. * Nil 10.63

Ordinary Share Index, Hourly changes — Day's High 1845.9 — Day's Low 1821.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1831.4	1837.9	1839.6	1845.9	-	-	1843.9	1842.8

FT-SE, Hourly changes — Day's High 2305.9 — Day's Low 2282.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2285.0	2293.3	2293.3	2301.4	-	-	2299.4	2296.8

GILT EDGED ACTIVITY

Indices*	Jan 22	Jan 19
Gilt Edged Bargains	81.9	97.9
5-Day average	95.4	98.8

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.

London report and latest Share index. Tel 0898 123001.

Bid hints drive Standard

Standard Chartered bank shrugged off the volatility of other banking issues as well as of the rest of the equity market and moved higher as the market seemingly remained convinced of its attractions to predators.

The shares have performed well in recent weeks and were only marginally affected last week by a warning that profits for the current year would not match the previous 12 months.

Yesterday saw the emergence of many stories which sent Standard sharply higher. The most obvious was that of a break-up bid, a suggestion that has been around for some time. There was also speculation that a share swap or merger involving Royal Bank of Scotland — which pursued a merger with Standard some years ago — and Banco Santander could be in the pipeline. And the Lloyds Bank bid story — reviving the battle that took place in the 1980s — also resurfaced. Various other hints included one that a top UK agency broker was about to issue a buy note on the stock.

Dealers, exasperated by the spate of rumours, marked the price up to 594p only to see it retreat sharply to 582p, a net gain of 23. Turnover was an above-average 4.3m. One trader observed: "There was a shortage of stock, no one consistent buyer, no evidence of stake-building, plenty of scared marketmakers and a hell of a lot of profits made in the stock." He added that big buyers of recent months "are in for the long distance bid."

Ferranti surprise

Turnover in Ferranti International, the troubled defence/electronics group, ballooned to 29m shares, as the market became convinced that the company will win the contract to develop the radar system for the new European Fighter Aircraft. But well after the market closed, it was announced that GEC had agreed to buy Ferranti Defence Systems Group and part of Ferranti International's interests in Italy for £310m in cash.

The radar deal was seen by analysts as crucial and was said to have been behind the latest rise in the share price, which added 4 more at 33p, having touched 34p at one point. "The underwriters of the proposed £187m rights issue at 25p a share must have breathed a sign of relief on the radar contract news," said one analyst. There were also reports that Ferranti is to sue advisers involved in the purchase of International Signal which resulted in Ferranti writing off £215m.

Racal Electronics slipped 6 to 220p on turnover of 6.7m, in front of today's presentation on the progress of Vodafone to around 40 of its biggest institutional shareholders at Claridges. Racal Telecom fell 4 to 365p.

Carlton views

Carlton Communications had an erratic day as sentiment ebbed and flowed regarding its possible purchase of a stake in British Satellite Broadcasting from Mr Alan Bond, the Australian entrepreneur, and the likely sale of its Cosworth engines division.

Most observers dismissed the BSB stake story. This did not prevent early nervousness ahead of yesterday's BSB press conference which left Carlton shares a dozen points lower. The press conference did not confirm the story, and the shares recovered quickly showing at one point a gain of several pence on the day. However, Wall Street's early weakness returned the shares to their former state and they closed 15 lower at 748p on good volume of 1.4m shares.

Mr Keith Woolcott, analyst at CCF Laurence Prust, stuck by his buy recommendation on the stock, saying that it had underperformed the market over the last month.

LASMO revealed

The explanation for the strong rise in LASMO shares over the past couple of sessions became clear as the London market closed and Petrofina revealed flow rates from the Al Bishri well drilled in East Syria by a consortium comprising Total, with 60 per cent, and Petrofina and LASMO with 20 per cent.

Petrofina said the discovery, announced as commercial by the Syrian authorities a week ago, produced 6,800 barrels of oil a day on test. Specialists confirmed earlier reports that the well would almost certainly contain between 50m and a 100m barrels of oil. LASMO shares moved up 6½ to 585p on turnover of 1m.

Dealers reported continued heavy two-way trading in Coloroll, with volume scarcely lower than on Monday, at around 40m. The price recovered slightly from an early low to only a ½ off at 28½p at a point when the market was falling, but eventually closed at 26p. Most of the buying was in small deals.

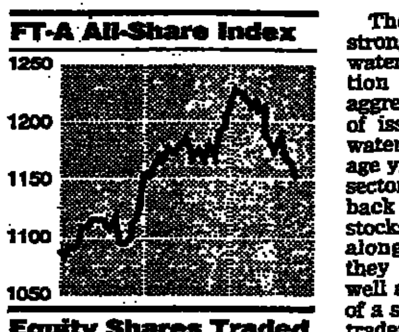
Sentiment was buoyed by hopes of a bid, although speculation that a large buyer had emerged found little support among specialist traders. Small investors also remained confident in Coloroll's strong brand names. Dealers could name few other reasons for such continued interest. One said: "People have taken the view that it's option money."

Overseas trader Harrisons & Crosfield fell sharply as one dealer cut his offer price below others' bid price. Dealers said sell orders had led to a large oversupply of stock. Volume swelled to 1.4m shares, more than four time the usual level.

The bid-speculation surrounding Standard Chartered also spilled over into other so-called takeover targets in the banks. Midland, where Hongkong & Shanghai holds a 14.9 per cent stake, moved up strongly to close 12 firmer at 372p on turnover of 1.9m shares, while TSB, where the protection of a ban on anyone holding a stake in excess of 5 per cent runs out in September 1991, rose 2½ to 133p, on turnover of 3.5m.

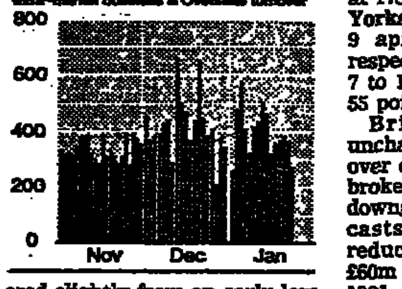
Life assurances drifted back but composite insurances managed small gains overall.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



There was determined and strong buying interest in the water stocks with one institution said to have been an aggressive buyer of a number of issues. Specialists said the waters still offered above average yields in a highly defensive sector. "Many funds have held back from buying into the stocks, hoping to see them fall along with the market. But they have held up extremely well and we've seen something of a stock shortage," noted one trader.

The best performance came from South West Water, 11 up at 178p, and Wessex Water and Yorkshire Water, which added 9 apiece at 174p and 181p respectively. Welsh Water rose 7 to 174p. The Package put on 55 points to £1623.

British Gas closed unchanged at 215p, after turnover of 5.2m shares, with more brokers joining the list of firms downgrading their profits forecasts. Nomura Research reduced its 1990 forecast by £60m to £1070m and that for 1991 — "given some caution that milder temperatures are becoming a more permanent feature," said the Nomura oil team — by £65m in the following year. BZW cut its forecast by £40m to £960m. The oil team at Kitcat recommended clients to lighten holdings of Gas ahead of publication of the Ofgas annual report expected on February 13. Ultramar drew strong institutional support to close 4 up at 355p.

A 14 per cent decline in interim profits from Courts (Furnishers) to £3.1m left the shares above the day's low at 168p, down a net 2.

Lowndes Queensway firmed ½ to 5p on speculative buying from members of the public, according to dealers.

The brewery leaders held firm against the market's eventual decline, the best performance coming from Whitbread where a US securities house was said to have bought heavily in early trading. The stock shortage left the "A" shares 6 higher at 399p. THF added 3 at 286p after UBS Phillips & Drew put the stock on its buy list. "The recent fall has been overdone," said Mr Jeffrey Harwood at UBS.

Many Food stocks registered small gains. Northern Foods attracted bargain hunters after recent weakness and firmed 4 to 307p. The same factor was said to have been behind Unigate's improvement of 5 to 333p. Dalgety were squeezed 3 higher to 401p. Income funds bought Booker for the yield — at more than 5 per cent gross it is among the highest in the sector — pushing the shares 5 better to 452p. Dealers said trading was brisk.

Fitch Lovell eased a penny to 289p ahead of interims tomorrow, while Albert Fisher's nil paid began trading and almost doubled in value to 14p.

Dealers said that recent profit takers in the equity were buying back in. An exception was United Biscuits, where a long-standing seller was again active. The shares fell 2 to 334p.

RHM recovered after Monday's sharp fall to close 3 better at 444p, after 446p. Marketmakers said there had been arbitrage between the equity and the company's convertible bond. Yesterday the 4¾ per cent 2003 bond fell 2 to 125¾, while the previous day it had risen 3¾. BAT fell 13 to 804p, hurt by the revelation that the Department of Trade and Industry had voiced concern over the bid from Sir James Goldsmith. When that bid is affected by uncertainty, speculative attention turns to RHM, in which Sir James has a 29.9 per cent stake.

Dealers took profits in Laing Properties after Monday's rise. The shares slipped 9 to 522p in early trading, eventually to recover to 529p. Asda Property, also firm on Monday, dropped 3 to 113p in a quiet day for the property sector.

An initial fall of 6 brought out the bargain hunters in United Newspapers. The shares recovered to 424p, down 2 on the day as one broker said it had place more than 500,000 of the shares with institutions. A large placing last week at 425p was oversubscribed.

Details of the second round of financing for British Satellite Broadcasting initially left the venture's backers several pence lower, although two later recovered. Reed International shed 5 to 421p, while Granada recovered from 334p to close a penny better on the day at 339p and Pearson made up a loss of 9 to end unchanged at 724p. Trading in the last named, at 136,000 shares, was particularly thin.

Further thoughts on last week's announcement that Hunterprint was selling off a division and cutting its dividend knocked another 7 off the shares to 125p. Dealers said there had been good two-way business with one securities house saying it had placed 180,000 shares yesterday but that there was still an overhang of at least that amount still depressing the price.

Adscene lost 5 to 88p after revealing interim profits halved at £619,000.

Rank Organisation firmed 7 against the trend to 855p ahead of final results tomorrow.

Health and household second liners saw sprightly movements in low volume. Bid talk lifted Amersham International 9 to 379p, before it moved back to 376p. Analysts saw little reason for the renewed speculation. Kingsgrange fell 5 to 56p after saying that sales and margins would be "constrained" for the second half, but regained some ground to close on 59p.

London International, which fell 10 on Friday when dealers had plenty of the shares, recovered against the trend to close 3 firmer at 224p.

GKN rose 3 on 422p and Lucas strengthened 7 to 642p, on improved volumes of 1.6m and 718,000 respectively. The apparently tougher attitude taken by management in the threatened Ford dispute helped sentiment. Analysts also said that Lucas had been oversold on Monday.

Rechem Environmental Services continued their bumpy ride since bringing out a profits warning on Friday, and shed another 25 to 500p. Analysts said that it remained a highly rated stock which is still prone to volatility.

BOC were back outperforming the market after a reverse on Monday, holding even for the day at 517p, having dropped to 512p at one point. It is perceived as a good defensive stock, according to analysts.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 24

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	607	202	-3	Comm Union	923	486	+3	Lloyds Bank	1,900	288	-1	Sears	3,100	105	+½
ASDA Group	2,900	113		Cookson	621	261		LASMO	1,000	585	+6	Sedgwick	343	287	
Abbey National	1,557	177	+1	Courtaulds	2,900	373	+5	Lonrho	2,300	304	-3	Shell Transport	3,300	451	
Allied-Lyons	937	532	+3	Dalgety	145	401	+3	Lucas	718	641	+7	Siebe	1,000	462	-16
Amstrad	1,800	50	-½	Dixons	1,600	126	-1	MB Group	1,400	216	+1	Slough Ests	284	321	[illegible]
Argyll Group	4,200	215	+1	Eng. China Clays	384	438	-2	MEPC	495	504		Smith (W.H.) A	214	325	-2
Ass. Brit. Foods	1,300	421		Enterprise Oil	371	637		Marks & Spencer	4,200	192	-2	Smith & Nephew	5,400	125	-1½
BAA	1,300	376		FKI	3,000	76	-5	Maxwell Comm	1,300	212		Smkl Beecham	2,000	561	-11
BAT Inds	5,300	804	-13	Ferranti	28,978	33	+4	Mecca Leisure	585	160		Smkl Beecham Units	23	2510	-35
BET	1,700	249	-1	Fisons	1,500	337	+1	Midland Bank	1,700	372	+12	Smiths Inds	430	290	
BICC	1,300	452	+3	Gen. Accident	802	1109	+5	NatWest Bank	3,100	346	-2	Standard Chartd.	4,300	582	+23
BOC	934	517		General Elect.	7,400	229	-2	Next	431	84	-1	Storehouse	2,000	117	+1
BPB Inds.	1,300	226	-2	Glaxo	2,000	715	-3	Northern Foods	285	307	+4	Sun Alliance	752	515	+1
BTR	3,500	430	+2	Globe Inv	1,400	179	+2½	Pearl	0	688		Sun Life	12	1235	-5
Barclays	2,300	560	+1	Glynwed Int.	341	247		Pearson	136	724		T&N	155	208	+2
Bass	518	1043		Granada	756	339	+1	P & O	565	605	+1	TI Group	605	420	+1
Beazer	986	169	-1	Grand Met.	2,400	610	+2	Pilkington	4,500	222	-1	TSB	3,425	133	+2½
Berisford Int.	141	142	+1	GUS A	106	1025		Polly Peck Intl	2,900	404	-2	Tarmac	7,400	344	-2
Blue Arrow	359	92	-1	GRE	1,500	230		Prudential	4,300	210	-2	Tate & Lyle	1,250	504	
Blue Circle	1,200	246		GKN	1,600	421	+3	RHM	891	444	+3	Taylor Woodrow	425	230	-2
Boots	1,900	264	-1	Guinness	2,200	853	-8	RMC	199	680	+3	Tesco	6,000	156	-1
Brit. & Comm.	598	87	-2	Hammerson 'A'	152	778		RTZ	2,200	519	-3	Thames Water	2,250	154½	+1½
Brit. Aerospace	1,000	542		Hanson	6,900	221½	-3½	Racal	6,685	220	-6	THORN EMI	629	764	-1
British Airways	2,000	203	-1	Hanson Warrants	1,000	56½	-1½	Racal Telecom	10	365	-4	Trafalgar House	2,000	338	-12
British Gas	5,100	215		Harrisons Cros.	1,400	144	-7	Rank Org.	594	855	+7	Trusthouse Forte	2,500	286	+3
British Land	265	404	+1	Hawker Sidd.	624	700	+8	Reckitt & Colman	200	1218	+1	Ultramar	1,100	355	+4
BP	4,900	316	-3	Hillsdown	2,900	268	-4	Redland	919	556	-13	Unigate	951	333	+5
British Steel	8,800	131		IMI	142	222	-2	Reed Intl	1,300	421	-5	Unilever	870	669	+2
British Telecom	4,500	290½	+1½	ICI	1,400	1096	-13	Reuters	986	1008	-15	United Biscuits	2,700	334	-2
Bunzl	635	113		Inchcape	236	264		Rolls Royce	5,300	177		Utd. Newspapers	1,300	424	-2
Burmah Oil	260	633	-9	Jaguar	2	849		Rothmans	550	839	+9	Wellcome	788	658	-2
Burton	2,000	186	-4	Kingfisher	1,000	276	-5	Ryl Bk Scotland	1,500	202	+2	Whitbread 'A'	839	399	+6
Cable & Wire.	1,700	524	+1	Ladbroke	1,300	311		Royal Insurance	1,100	511	+2	Williams Hldgs.	2,000	224	-5
Cadburys	1,300	340	+3	Land Securities	901	502		STC	1,800	249	-1	Willis Faber	119	275	
Calor Group	46	367	-1	Laporte	273	515	+7	Saatchi	232	240	+2	Wimpey	230	247	+2
Carlton Comms.	1,400	748	-15	Legal & General	976	380		Sainsbury	1,500	256	-7				
Coats Viyella	2,300	135	-2	Lloyds Abbey	328	311	-2	Scottish & New	823	328	-1				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (14).
AMERICANS (2) BANKS (1) BUILDINGS (1) STORES (1) INDUSTRIALS (1) Rauma-Repola, NEWSPAPERS (1) PAPERS (1) SOUTH AFRICANS (1) TRUSTS (2) OVERSEAS TRADERS (1) MINES (2).

NEW LOWS (107).
BRITISH FUNDS (18) INT.BANK & O'SEAS GOVT. STLG. ISSUES (7) FOREIGN BONDS (1) AMERICANS (5) CANADIANS (5) BREWERS (1) BUILDINGS (2) CHEMICALS (1) STORES (7) ELECTRICALS (6) ENGINEERING (1) FOODS (1) HOTELS (1) INDUSTRIALS (18) Alumasc, Brown & Tawse, Creata, Dauphin, De La Rue, Dobson Park, Ibex, Johnson Matthey, Nobo, Porth Grp., Rock, Rockware, Savage, Stainless Metalcraft, Westmex, Whittington, Wilkes (J.), Young (H.). LEISURE (2) MOTORS (1) NEWSPAPERS (1) PAPERS (3) PROPERTY (7) SHOES (1) SOUTH AFRICANS (2) TRANSPOPRT (2) TRUSTS (7) OILS (2) PLANTATIONS (1) MINES (1).

APPOINTMENTS

Managing director of Coates Brothers

Mr Jean-Paul Vettier becomes managing director of COATES BROTHERS on March 1. He was on the executive committee of Orkem, in charge of the petrochemical division and of corporate strategy and planning. Mr Brian Deller has been appointed finance director (designate) from February 5. He was financial director of ARC, a Consolidated Goldfields subsidiary. On or before April 30 he will take over as finance director from Mr Joseph Darroch who is retiring.

■ Mr Richard Halhead has been appointed group finance director of BRITISH FUELS, Harrogate. He was group financial controller.

■ MERCURY CALLPOINT, the recently-launched telepoint service, has made Mr Charles Walker its director of finance. He joined the company in August 1989 as finance manager.

■ Mr Jeremy Carlisle has been appointed to the board of HUNTING GATE DEVELOPMENTS. He was a director of Allied Dunbar Property Funds.

■ TAYLOR YOUNG INVESTMENT MANAGEMENT has appointed Mr Hugh R. L. Eddison as a senior investment manager. He was a private client advisor at Orme & Co.

■ AHSBY & HORNER has appointed Mr Martin Vickers as associate director special works, and Mr James Duffy as associate director marketing. Mr Vickers joins from Mowlem, and Mr Duffy from Wates.

■ WILLMOTT DIXON DESIGN & BUILD, Cambridge, has appointed Mr Bill Agar as sales director.

■ Mr Paul R. Engle has joined BT&D TECHNOLOGIES, Ipswich, replacing Mr Howard J. Claussen who returns to the Du Pont Company. Mr Engle was president and principal of Qualitron Inc, Texas.

■ Mr Andy Jackson has been appointed assistant general manager, life, at FRIENDS PROVIDENT, Salisbury. He was manager, life department, at HQ.

■ GARTMORE has made the following appointments: Mr Simon Nicholson, formerly managing director, Royal Bank of Canada Investment Management International, as Far East fund manager; Mr Malcolm McIvor, formerly manager, derivative products division, James Capel & Co, as director of quantitative investment; and Ms Sileanne McKeever, formerly an investment manager, Shearson Lehman Global Asset Management, as a global fund manager.

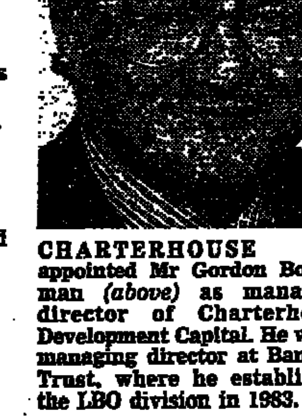
■ KIMBELL CONTRACTORS has appointed Dr John Roberts as a non-executive director. He was group managing director of Ruberoid, and chief executive of Burmah Oil's industrial non-oil division.

■ INVESTMENT RESEARCH OF CAMBRIDGE has promoted Miss Brenda Goldsmith from administration manager to director.

■ Mr Michael W.J. Bailey has been promoted to financial director of EBC GROUP, Exeter. He was group secretary. Mr Louis Sherwood has joined the board as a non-executive director. He was chairman and chief executive of Gateway Foodmarkets.

■ Mr Hugh O'Connor has been appointed managing director of PFIZER, Sandwich, from April 1, succeeding Mr W.J. Wilson who will remain chairman until his retirement in April 1991. Mr O'Connor is managing director of Pfizer Chemical Corp, Ringaskiddy, Republic of Ireland.

■ Mr Michael Pilsworth has been appointed managing director of ALOMO PRODUCTIONS, part of SelecTV and joins the main board. He was with MGMM.



CHARTERHOUSE has appointed Mr Gordon Bonnyman *(above)* as managing director of Charterhouse Development Capital. He was a managing director at Bankers Trust, where he established the LBO division in 1983.

■ DANBURY GROUP has appointed Mr John Spellman as group finance director. He was vice president finance at Royal Trust Energy Corp, Canada. Mr David Reeves has retired as finance director, and becomes a non-executive director.

■ THIRD WAVE GROUP has appointed Mr Stanton Smith as managing director of subsidiary Third Wave Consulting. He was with Coopers and Lybrand.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue, and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1989: 115.0 and for December 1989: 118.8.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

CANADIANS

1989/90 High	1989/90 Low	Stock	Price	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	291	–3	44c	1.4	7.3	9.8
191	134	Abbey National 10p	177	+1	L7.7	2.7	5.8	7.2
*282	120½	Allied Irish Ord	279	.....	♦tQ68%	3.3	2.9	14.4
£13½	£11¼	Algemene Fl 10	£12¼	.....	Q28%	2.0	7.3	6.8
*80	61	Anglo Irish	73	.....	Q18.7%	2.7	6.0	10.0
81	57	Ansbacher (H.) 1p	73	.....	2.0	–	3.7	–
£72¼	£38¼	Bancaire Cie Fr100	£63½	–⅛	Q12½%	–	2.1	–
£46¼	£35¾	Banco Bilbao Viz	£39⅛	–⅝	Q35.7%	2.0	3.5	14.4
£33	£26¼	Banco de Santander	£27⅝	–⅛	Q21%	2.4	2.9	14.3
*286	169	Bank Ireland Ir£1	281	–5	♦tQ12.3%	3.2	4.1	9.6
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	345	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	115	.....	13.8	3.6	4.4	8.3
111¼	96½	Do. 9¼pc Irrd Pf	96½	.....	9¼%	–	12.8	–
*67	49	Bank of Wales	54	.....	2.8	1.6	6.9	11.3
*582	404	Barclays £1	550	+1	†23.0	3.5	5.6	6.3
31	19	Benchmark 20p	20	.....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	320	.....	†10.5	–	4.4	–
455	325	Cater Allen £1	412	–3	23.5	–	7.6	–
259	157	Chancery	175	–2	†8.0	2.8	6.1	7.7
£23	£14½	Commerzbk DM10	£21½	+¼	Q18%	–	3.1	–
*£29	£22½	C'hgn. Hbk Kr100	£26⅝	+⅛	♦tQ15%	–	5.2	–
£16⅞	£10⅞	Dai Ichi K&k Y50	£12⅛	.....	♦Q16%	8.8	0.3	41.8
£314¼	£156¼	Deutsche Bk DM50	£287⅝	–⅛	Q24%	–	1.5	–
£22¼	£17⅝	Espirito Santo	£20¼	.....	Q75c	3.3	2.2	13.8
260	182	First Nat. Fin. 10p	218	.....	13.0	♦	8.0	♦

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
135	99	Coleftain Grp 5p	129	.....	†7.0	1.3	7.8	13.1
102	73	China Light HK$5	95	.....	Q72c	2.6	6.2	4.9
337	156	Christies Int'l 5p	279	–7	bt4.75	2.8	2.3	18.9
210	144	Claybithe	187	.....	†4.25	3.9	3.0	10.8
15½	7½	Clearmark 5p	11	.....	–	–	–	–
45	28	Coated Elct. 5p	36	.....	–	–	–	–
18½	16	Colorgen Inc. $0.01	18	.....	–	–	–	–
177	25	Coloroll 10p	26	–3	7.6	1.6	39.0	1.9

INDUSTRIALS (Miscel.) – Contd.

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£70⅝	£51¼	St. Gobain FFr100	£63	–2½	Q13%	4.1	2.2	11.4
238	153	Sale Tilney	159	.....	†10.5	0.8	9.0	10.9
195	152	Sanders & Sdny 5p	162	.....	6.9	1.7	5.7	13.8
202	70	Savage	70	–1	3.5	2.6	6.4	7.7
175	124	Scapa Group	155	–1	th4.39	2.9	3.8	10.1
£31⅛	£17¼	Schlumberger $0.01	£28	–⅜	QS1.20	–	2.5	–
323	218	Scott Robertson	255	–3	†5.0	3.4	2.6	13.8
155	115	Do. 7½pc Cv.Rd.Pf.	125	–3	7½%	–	8.0	–
191	104	Scot. Heritable Tst.	114	.....	†6.0	3.3	7.0	5.7

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

For other Water Issues see London Recent Issues

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- I No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	86	+1
Craig & Rose £1 γ	830	
Finlay Pkg. 5p γ	56	
Holt (Jos) 25p γ	1340	

IRISH

Cap. 8½% Ln. 1991	£96¼	
9pc Cap Ln. 1996	£95⅝	–¼
Fin. 13% 97/02	£114½	
Arnotts	410	
Carroll (P.J.) γ	163	–2
Hall (R. & H.)	195	
Heiton Hldgs. γ	100	
IRG	206xd	
United Drug	165	–3

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¾
BAT	47
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	30
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd. Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	52.09	52.09	55.72	-0.96	4.92
Gilt & Fixed Int	6	105.7	105.7xd	112.1	-0.1	8.92
High Inc Equity	6	135.0	135.0xd	144.4	-1.7	4.4
Worldwide Bond	6	202.7	202.7	214.8	+0.5	4.93
Capital Growth						
American Growth	6	186.2	186.2xd	199.2	-5.0	1.1
Asian Pacific	6	125.0	127.4xd	135.6	-0.5	0.96
Assets & Earnings	6	156.9	156.9	167.9	-1.3	2.2
Capital Reserve Acc	0	88.32	88.32	88.43	+0.03	6.79
Capital Reserve Inc	0	78.37	78.37	78.47	+0.02	7.65
Comdty & Energy	6	116.1	116.1	124.2	-2.1	1.53
Dividend & Growth	6	46.86	47.86	50.92		4.42
1992 Enterprise	6	62.06	62.06	66.38	-0.61	2.5
Euro Capital Acc	6	99.26	99.97	106.4	-0.3	0.70
Euro Capital Inc	6	95.66	96.44	102.6	-0.2	0.73
General	6	177.3	177.3	189.7	-2.0	2.64
International	6	61.53	62.33xd	66.31	-0.95	0.75
Japan	6	116.6	116.6	124.8	+0.3	0.00
Mastertrust	6	91.04	91.04	97.37	-1.3	1.75
UK Growth Acc	6	182.0	182.0	194.7	-1.5	1.63
UK Growth Dist	6	121.0	121.3	128.7	-1.1	2.47
US Emerging Cos	6	52.65	52.65	56.32	-1.03	0.00
Income & Growth	6	302.0	302.0	323.9	-4.1	3.17
Ethical	6	48.19	48.19	51.55	-0.4	1.94

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.84	31.84	33.99	-0.49	3.10
European	5¼	81.67	81.88	87.41	-0.05	0.00
European Income	5¼	78.48	78.60	83.91	-0.25	1.95

PK English Trust (Inv Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-796 1200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	4	61.46	61.87	64.40	----	0.0
Far Eastern*	4	184.33	188.53	196.07	----	0.1
Growth†	4	193.62	196.05	208.75	----	3.4
Income†	4	143.43	149.43	154.87	----	5.3
Scandinavian†	4	76.51	78.25	81.38	----	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7BF 01-493 7262
Dealing 01-493 8545

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
American Opps	5	48.39	49.41	52.99	-1.03	1.02
(Accum Units)	5	49.80	50.85	54.23	-1.05	1.02
European Opps	5	69.45	69.85	74.49	+0.18	0.00
(Accum Units)	5	69.85	70.25	74.90	+0.18	0.00
Far Eastern Opps	5	142.07	142.41	151.89	-0.89	0.00
(Accum Units)	5	142.98	143.32	152.87	-0.89	0.00
Golden Opps	5	45.12	45.12xd	48.12	-0.67	0.00
(Accum Units)	5	46.41	46.41xd	49.49	-0.70	0.00
Intl Hi-Yield	5	58.44	59.10xd	63.03	+0.18	4.34
(Accum Units)	5	63.49	64.16xd	68.42	+0.19	4.34
Sanyo Japan Tst	5	77.58	77.58	82.56	+1.05	0.00
(Accum Units)	5	77.58	77.58	82.56	+1.05	0.00
Fxxxxxxx	5	33.89	33.89	36.14	-0.15	1.46
(Accum Units)	5	34.08	34.08	36.34	-0.16	1.46
Oriental Income	5	34.80	34.80	37.11	-0.11	5.07
(Accum Units)	5	39.01	39.01	41.60	-0.12	5.07
Pacific Technology	5	60.25	60.25	64.27	-0.14	0.00
(Accum Units)	5	60.75	60.75	64.79	-0.14	0.00
Tiger	5	148.65	149.12	159.05	-0.91	0.70
(Accum Units)	5	150.78	151.44	161.53	-0.93	0.70
UK Hi-Yield	5	43.23	43.23	46.10	-0.47	4.94
(Accum Units)	5	49.43	49.43	52.71	-0.54	4.94
UK Opps	5	54.74	54.74	58.53	-0.19	2.98
(Accum Units)	5	59.36	59.36	63.46	-0.19	1.98

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250
4 Hourly Pricing – 12 Noon Historic

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
TR American Grth	5¼	46.34	46.34	49.42	-1.18	0
TR Eur Sp Sits Acc	5¼	41.89	41.89	44.68	+0.27	0
TR Eur Sp Sits Inc	5¼	41.08	41.08	43.74	+0.27	0
TR General Growth	5¼	75.51	75.51xd	80.32	-0.41	2.77
TR Global Tech	5¼	70.54	70.54	75.24	-1.05	0
TR Income Growth	5¼	87.99	87.99xd	93.60	-0.34	4.43
TR Income Monthly	5¼	58.50	58.50	62.23	-0.20	4.74
TR Japan Growth	5¼	97.72	97.72	103.7	-1.30	0
TR Overseas Growth	5¼	68.56	68.56	73.07	-0.52	0
TR Smaller Cos	5¼	84.46	84.46	89.85	-0.85	2.92
TR Special Opp	5¼	97.02	97.02	103.2	-0.48	2.77
TR Mngd Eq Ptas Acc	5¼	34.28	34.28	36.46	-0.13	2.31
TR Mngd Eq Ptas Inc	5¼	32.15	32.15	34.20	-0.11	2.31
TR Wwde Sp Sit Acc	5¼	37.94	37.94	40.53	-0.12	0
TR Wwde Sp Sit Inc	5¼	37.90	37.90	40.49	-0.12	0
TR Pension Portfolio						
TR American Grth ‡	6	27.75	28.12	29.81	-0.95	0
TR Eur Sp Sits ‡	6	33.25	33.54	35.56	+0.09	0
TR General Growth ‡	6	24.99	25.25	26.77	-0.25	0
TR Global Tech ‡	6	27.88	28.25	29.94	-0.36	0

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Intl Exempt	156.5	158.4	—	1.50

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Sales PPP Jan 12	264.6	278.4	—	—

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Exempt Jan 15	103.69	110.21xd	—	3.76
(Accum Units)	104.32	110.88xd	—	3.76

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
TR Exempt European	1104	1120	—	1.59
TR Exempt Nth Amer	941	954	—	3.50
TR Exempt Pac Basin	2023	1035	—	0

INSURANCES

AA Friendly Society
(Investment Mngt M. & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Sy Jan 12	—	177.0	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Ser. 7	301.1	317.0	-0.3	—
Equity Ser. 1	133.4	140.5	-1.4	—
Prop. Acc. Ser 2	464.5	488.8	-0.4	—
Equity Ser 2	134.8	143.0	-1.7	—
Selective Acc.	349.1	367.5	-2.2	—
Prop. Ser. 4	362.7	381.8	-0.3	—
Equity Ser. 4	156.6	164.8	+0.3	—
Man. Ser. 4	446.5	470.0	-2.7	—
Fixed Int. Ser. 4	215.4	226.9	-0.1	—
Indexed Inv. Ser. 4	142.2	149.8	-0.1	—
American Ser. 4	314.1	330.7	-6.0	—
Japan Ser 4	343.4	361.7	+0.9	—
European Ser 4	122.8	129.3	—	—
High Inc. Ser. 4	463.9	488.4	-4.4	—

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OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	105 1	110.7	−0 3	−
Managed Growth	141 6	149 3	−0 5	−
Managed Opportunity	145 3	153 0	−0 9	−
NFMC Target Extended	102.7	108 2	−1.4	−
Pension Funds				
Managed Cautionary	109 7	115 5	−0 4	−
Managed Growth	146 0	153.8	−0 6	−
Managed Opportunity	148 9	156 8	−0 8	−
NFMC Target Mngd Pens	1547 0	1628.5	−15 9	−
National Mutual Life				
The Priory, Priory Pk, Hitchin SG5 2DW 0462 432422				
Managed Fund	228.5	240 6	....	−
Managed Prospect Fund	191 7	201 8	...	−
Pens Managed	291.0	306.4	.....	−
Pens UK Equity	348 2	366 6	.	−
Pens Overseas Equity	387 3	407 7	...	−
Pens Property	173.3	182.5	...	−
Pens Fixed Interest	178.9	188.4	...	−
Pens Index Linked	148 3	156 2	...	−
Pens Deposit	187.2	197.1	...	−
Harvester & P.P.P.				
UK Equity	152 0	160.1	.....	−
Overseas Equity	138 5	145 8	...	−
Fixed Interest	122.2	128 7	..	−
Property	144.1	151 7	...	−
Index Linked	134 8	141 9	.....	−
Deposit	129 8	136 7	...	−
Managed	146 5	154.3	.....	−
With Profits	133 5	140.5	...	−
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	347 7	366 1	−3 2	−
UK Equity	447 4	471 0	−3.6	−
Overseas Eq.	356 5	375.3	−5 8	−
Americas	261.7	275.5	−7 0	−
Far East	414 9	436 8	−0 6	−
Property	222 8	234 6	−0 1	−
Fixed Int.	219 4	231.0	−0.2	−
Indexed Gilt	139 8	146.3	−0 6	−
Deposit	158 3	166 7	...	
Pension Fund (Accum Units)				
Managed	465.3	489 8	−3 8	−
UK Equity	549 6	578 6	−4 6	−
Overseas Eq	572 4	602 6	−5.9	−
Americas	345 8	364 0	−9 6	−

	Bid Price	Offer Price	+ or −	Yield Gross
Providence Capitol Life Assc. Co Ltd − Contd.				
Property Initial		169 5	...	−
Money Initial		78.2	+0 1	−
Special Market Initial		141.3	−0 4	−
Japan Equity Initial		120.1	+0 6	−
North American Initial		82.5	−1.9	−
Pacific Initial		83 0	+0 2	−
Technology Initial		106.3	+2.3	−
Nat Resources Initial		57 6	+0 2	−
European Initial		102.2	+0.2	−
Residential Prop Init.		103 4	...	−
Swiss Equities Initial		36 5	...	−
Hong Kong Initial		46 1	−0.3	−
UK High Inc Eq Init.		69 2	−0 8	−
Int Fixed Interest Init.		50.1	.....	−
Int Managed Init.		56.5	...	−
HIP Managed Init.		114.8	−0.2	−
Broker Funds				
High Performance	75 3	79 4	+0 1	−
Towerhill Mngd Fd Acc.	53.4	56.3	+0.1	−
YRA Executive Fd	93 4	98 53	+0.1	−
£ Global Growth Acc.	130.5	137.6	...	−
£ High Income Money Acc.	111.4	117 7	.....	−
IM Balanced	56.1		−0 1	−
H F Speculator Fd	157.1		−0.2	−
PEP Acorn II	127.1		+0 1	−
PEP Cautionary	98 2		−0.1	−
AAFS Int Man Fund	119.5		−0 7	−
Andrews-Green Inv Port	106.3		.....	−
Individual Pension Funds				
UK Equity Acc.	225 4	237 8	−3 5	−
UK Fixed Interest Acc.	175 0	184 6	−0 2	−
Intl Equities Acc	249 7	263.5	+0 1	−
UK Managed Acc.	184.0	194.0	−1.4	−
Property Acc.	213 0	224.77	−0.2	−
Money Acc.	134 0	141.4	+0 1	−
Special Market Acc.	288 1	304 0	−1.1	−
Japan Equity Acc	253 5	267 5	+1 5	−
North American Acc.	128.3	135.4	−3 7	−
Pacific Acc.	206 5	217 9	+0 5	−
Technology Acc.	185 0	195.2	+5 1	−
Natural Resources Acc.	114.2	120.5	+0.5	−
European Acc.	137.1	144.7	+0.4	−
Residential Prop Acc.	113 7	120 0	...	−
Swiss Equities Acc.	37.7	39 8	...	−
Hong Kong Acc.	47 6	50.3	−0.2	−
UK High Inc Equ Acc.	76.6	80 9	−1 2	−
Int Fixed Interest Acc.	53.0	56.0	−0.1	−
Int Managed Acc	60.5	63 8	.....	−
Group Pension Funds				
Equity Acc.	844 2	870.4	−4.1	−
Fixed Interest Acc.	526.2	542.5	...	−

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Sharp (Albert E.) & Co.						
12 Newhall Street, Birmingham B3 3ER 021 200 2244						
Man-Clerical Med.			147.7	155.5	...	−
Pens Man NM			673.4	708.8	−3.8	−
Siltala Fund Managers Limited						
Siltala House, The Causeway, Bishop's Stortford, Herts. 0279 757696						
Siltala Managed Funds						
Royal Heritage SOF			105 0	110.6	...	−
Royal Heritage GGF			136 7	143.9	...	−
Royal Heritage HIF			141.7	149.2	...	−
Royal Heritage RIF			95.2	100.3	...	−
Target SOF			109 6	115 4	...	−

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Royal Bank of Canada Funds						
RBC Offshore Fund Managers Ltd						
PO Box 246, St Peter Port, Guernsey 0481 23021						
Intl Capital Fd	5	55.83	55.83	60.67	(u)	−
Far East & Pacific Fd	5	42.85	42.85	46 43	(u)	−
North America Fd	5	13.95	13 95	15.05	(u)	−
Canadian Fd.	5	13.52	13.52	14 60	(u)	−
Intl Bond Fd	5	12.10	12.10	12.81	(u)	2.34
European Fund	5	12.12	12.12	13 13	−0.35	−
British Fund	5	5.24	5.24	5.68	(u)	−
RBC Intl Currencies Fd Ltd						
US$		$−	33 56		+0 01	−
Canadian $		C$−	44.74		+0 02	−
£ Sterling		£−	19 57			−
D-Mark		DM−	65.51		+0 01	−

...

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

MANAGEMENT SERVICES

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Foreign & Colonial Management Ltd

1 Laurence Pountney Hill, London EC4R 0BA 01-623 4680

Foreign & Colonial Portfolios Fund

		Bid Price	Offer Price	+ or −	Yield Gross
Am Smlr Cos Eqt(1-2)	$–	10.74		-0.13	–
Oriental Eqty(1-8)	$–	12.02		+0.12	–
European Eqty(1-3)	$–	14.09		+0.09	–
Nordic Equity	$–	14.17		-0.05	–
Amer Majors Equity	$–	9.25		-0.24	–
West Pacific Equity	$–	10.81		+0.01	–
Medit'r'n Equity	$–	9.57		-0.05	–
British Equity	$–	9.74		-0.15	–
US Dllr S-Term Asset	$–	9.49		-0.01	8.75
Stlg Short-Term Asset	$–	10.21		+0.01	12.50
Nth American Bond	$–	10.07		.....	8.6
Multi-Currency Bond	$–	10.30		-0.02	8.60
Sterling Bond	$–	9.74		+0.04	10.00
ECU Bond	Ecu–	10.00		.....	–

* Daily dealing

Gartmore Luxembourg SA

23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841

Gartmore Pantheon Fund

		Bid Price	Offer Price	+ or −	Yield Gross
Nth Amer Equity	$–	1.96		-0.01	–
British Equity	£–	1.01		.....	–
Nordic Equity	SKr–	10.53		+0.10	–
Cont'l European Equity	DM–	16.88		+0.02	–
Japan Equity	Y–	526.00		+1.00	–
Pacific Equity	Y–	365.00		+3.00	–
Developing Mkts	$–	1.01		+0.01	–
Natural Resources	$–	2.06		.....	–
W'wide Recovery	$–	1.63		-0.04	–
Intl Equity	$–	1.36		-0.02	–
Dollar Bond	$–	1.97		.....	–
Sterling Bond	£–	1.00		.....	–
European Currency Bond	Ecu–	1.48		.....	7.33
Intl Conv Bond	$–	2.04		+0.05	–
Dollar Reserve	$–	2.00		.....	–
Sterling Reserve	£–	1.03		.....	–
Deutschmark Reserve	DM–	5.00		.....	–
Yen Reserve	Y–	502.00		+1.00	–

Henderson Management SA

21-25 Allee Scheffer L-2520 Luxembourg
01-638 5757 or 010-352 462232

Henderson Horizon Fund

		Bid Price	Offer Price	+ or −	Yield Gross
Japanese Portfolio	$–	15.15	16.00	+0.07	–
Japan Smllr Cos P'flio	$–	22.25	23.51	-0.31	–
Pacific Portfolio	$–	12.27	12.97	-0.06	–
Nth American P'folio	$–	4.52	4.79	-0.11	–

NM Financial Mgmt Intl Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Mngd. Currency	£6.598	6.933	-0.004	6.01

NM Portfolio Selection Fund Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Conscience	£1.076	1.144	-0.009	1.32
Far East Gwth	$1.418	1.508	-0.008	0.00
Smaller Co's	£1.001	1.064	-0.005	1.18
Special Sits	£2.006	2.070	-0.008	0.74
Intl Bond	$0.893	0.949	+0.002	5.55
American Fund	$1.896	2.017	-0.048	2.25
American Smaller Cos	$1.207	1.284	+0.024	0.00
Australian Fund	£1.713	1.822	-0.047	1.73
British Fund	£1.530	1.627	-0.022	5.11
European Fund	£2.204	2.344	+0.006	0.87
Gold Fund	£0.747	0.840	-0.014	0.00
Hong Kong Fund	£2.554	2.653	-0.019	5.46
International Fund	£1.475	1.566	-0.008	0.93
Japanese Fund	£3.196	3.400	+0.015	0.00
Japan Smaller Cos	£5.294	5.631	+0.016	0.00
Singapore & Malaysian	£1.489	1.584	-0.015	0.00
Dollar Fixed Interest	$0.998	1.061	.....	6.87
Sterling Fixed Int	£0.898	0.955	-0.002	10.75
Deutschmark Currency		DM5.032	+0.003	2.96
Dollar Currency		$1.001	+0.002	4.91
Sterling Currency		£1.025	+0.002	10.48
Yen Currency		Y200.6	+0.200	1.40
Managed Currency	£1.003	1.066	+0.002	6.94

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Japan Index Fund	Y4,107	4,147	.....	–
New Generation Fd. $	$22.33	22.54	.....	–
Japan Index Alpha	Y12,577	12,768	.....	–
Jap Sector Rotation	Y10,395	10,523	.....	–

Straughold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Tech and Comm	£11.31	12.00	.....	–
Pacific Basin Fd	$114.03	120.99	.....	–
Western European	$19.21	20.47	.....	–

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Capital Defender	$1.24	1.32	-0.02	–
HI Yield Bond	62.8	66.1	.....	15.13
Internatl. Spec. Sits	53.8	56.6	+0.1	–
Marmoucci Fd	92.6	97.3	-0.1	–

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Short Term Shares		5690.46	.....	–
Fixed Income Shares		5808.39	.....	–

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Intnl Growth Fd	$13.54	14.21	-0.34	–

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls against D-Mark

INTEREST rates rather than events in Eastern Europe and the Soviet Union were the dominant factor on the foreign exchanges yesterday.

The dollar finished lower against the D-Mark, following speculation that the West German Bundesbank and Swiss National Bank are considering interest rate increases. Terms of a securities repurchase agreement tender, supplying liquidity to the Frankfurt money market, will be announced by the Bundesbank today. Swiss Bank Corp said it raised interest rates on savings accounts and mortgages yesterday, but this only brought these into line with rates of other Swiss commercial banks.

Mr Alan Greenspan, chairman of the US Federal Reserve Board, told a Congressional hearing that he does not believe the White House is trying to pressure the Fed into lower interest rates, but this had no impact on the dollar.

With no apparent worsening of the situation in the Soviet Union, during trading in London, dealers were encouraged to take dollar profits. Monday's sharp fall in share prices on Wall Street also weighed on the US currency, and the D-Mark was the obvious beneficiary after its recent decline. Earlier in the Far East it was reported that Bank Negara, the central bank of Indonesia, took large-scale profits in the dollar against the D-Mark.

Funds were not attracted into the yen. Relatively low Tokyo interest rates, and uncertainty ahead of next month's election to the Japanese lower house, kept the yen on the sidelines. The Bank of Japan has given support to the yen recently, but has not been seen in the market so far this week.

At the London close the dollar had fallen to DM1.6965 from DM1.7220; to SFr1.5075 from SFr1.5315; to FFr5.7650 from FFr5.8525; and to Y146.05 from Y146.40. According to the Bank of England the dollar's index declined to 67.6 from 68.0.

Sterling rose in late trading, climbing above $1.6500 and to around DM2.80 in New York after the London close. This followed the statement in UK Parliament by Mr John Major, the Chancellor, that there can be no question of an early relaxation of his high interest rate policy. He also acknowledged that the Budget surplus for the present financial year is likely to be less than the £12.5bn previously forecast.

In London sterling closed 90 points higher against the dollar at $1.6485, and rose to Y240.75 from Y240.00. On the other hand the pound fell to DM2.7975 from DM2.8225; to SFr2.4850 from SFr2.5100; to FFr9.5025 from FFr9.5950. Sterling's index fell 0.4 to 87.8.

In Sydney the Australian dollar fell sharply after the Reserve Bank of Australia said interest rates could be cut by 1 per cent, to reflect slowing in domestic demand. The Australian central bank supported the local currency when it fell to 77.75 US cents, from 79.40 cents on Monday. Later in New York the Fed bought Australian dollars at 77.40 cents.

£ IN NEW YORK

Jan.23	Latest	Previous Close
£ Spot	1.6515-1.6525	1.6365-1.6375
1 month	0.97-0.93pm	0.99-0.97pm
3 months	2.65-2.63pm	2.67-2.65pm
12 months	9.30-9.23pm	9.35-9.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.23	Previous
8.30 am	88.1	88.2
9.00 am	88.0	88.3
10.00 am	88.0	88.3
11.00 am	88.0	88.4
Noon	88.0	88.2
1.00 pm	88.0	88.2
2.00 pm	88.0	88.1
3.00 pm	88.0	88.2
4.00 pm	87.8	88.2

CURRENCY RATES

Jan.23	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	0.797627	1.37656
U.S. Dollar	7	1.30771	1.19370
Canadian $	12.46	1.54650	1.40774
Austrian Sch.	6½	15.8220	14.3352
Belgian Franc	10¼	47.0351	42.6003
Danish Krone	10½	8.69235	7.88263
Deutsche Mark	6.00	2.24861	2.03622
Neth.Guilder	7.00	2.53303	2.29478
French Franc	10¼	7.64095	6.92229
Italian Lira	13½	1671.59	1515.17
Japanese Yen	4¼	191.580	174.484
Norway Krone	8	8.63350	7.84980
Spanish Peseta	-	145.394	132.262
Swedish Krona	9½	N/A	7.42663
Swiss Franc	6.00	1.99883	1.81085
Greek Drach.	20½	N/A	189.859
Irish Punt	-	N/A	0.768397

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Jan.22

CURRENCY MOVEMENTS

Jan.23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.8	-23.0
U.S. Dollar	67.6	-10.3
Canadian Dollar	103.4	+0.2
Austrian Schilling	109.9	+12.0
Belgian Franc	109.6	-3.6
Danish Krone	109.0	+3.1
Deutsche Mark	118.8	+24.7
Swiss Franc	109.0	+16.5
Guilder	114.8	+16.4
French Franc	103.7	-12.8
Lira	100.1	-19.1
Yen	128.5	+58.7

Morgan Guaranty changes, average 1980-1982=100 Bank of England Index (Base Average 1985=100)**Rates are for Jan.22.

OTHER CURRENCIES

Jan 23	£	$
Argentina	2911.85 - 2995.90	1775.00 - 1825.00
Australia	2.1030 - 2.1050	1.2805 - 1.2815
Brazil	22.8540 - 22.9815	13.9260 - 13.9995
Finland	6.5985 - 6.6190	4.0150 - 4.0200
Greece	259.15 - 263.65	157.80 - 160.40
Hong Kong	12.8400 - 12.8530	7.8085 - 7.8105
Iran	115.40*	69.30*
Korea(Sth)	1114.55 - 1132.50	683.00 - 688.50
Kuwait	0.47790 - 0.47930	0.29100 - 0.29180
Luxembourg	58.45 - 58.55	35.45 - 35.55
Malaysia	4.4415 - 4.4530	2.7025 - 2.7045
Mexico	4419.50 - 4437.25	2693.00 - 2703.00
N. Zealand	2.7125 - 2.7185	1.6485 - 1.6505
Saudi Ar.	6.1585 - 6.1630	3.7500 - 3.7510
Singapore	3.0900 - 3.0970	1.8800 - 1.8820
S. Af (Cm)	4.2080 - 4.2190	2.5615 - 2.5630
S. Af (Fn)	5.5755 - 5.7655	3.3905 - 3.5080
Taiwan	42.60 - 42.70	25.90 - 25.95
U.A.E.	6.0305 - 6.0345	3.6720 - 3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Jan 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15-14⅞	15¼-15⅛	15¼-15⅛	15¼-15⅛	15⅜-15¼
US Dollar	8⅝-8½	8⅝-8½	8⅝-8½	8¾-8⅝	8⅝-8½	8⅝-8½
Can. Dollar	12¼-12⅛	12¼-12⅛	12⅛-11⅞	12⅛-11⅞	11¾-11⅝	11⅝-11⅜
D. Guilder	8⅝-8½	8⅝-8½	8¾-8⅝	8⅞-8¾	9-8⅞	9⅛-8⅞
Sw. Franc	9⅝-9½	9⅝-9½	9¾-9⅝	9¾-9⅝	9¾-9⅝	9⅝-9½
Deutschmark	7¾-7⅝	7⅞-7¾	8-7⅞	8⅛-8	8⅜-8¼	8⅝-8½
Fr. Franc	10⅞-10¾	10⅞-10¾	10⅞-10¾	11¼-11⅛	11⅜-11¼	11⅝-11½
Italian Lira	13-11	13-12	12¾-12¼	12¾-12½	13-12¾	13⅜-13⅛
B. Fr. (Fin)	10¼-10⅛	10½-10⅜	10½-10⅜	10⅝-10½	10¾-10⅝	10¾-10⅝
B. Fr. (Con)	10⅛-10	10⅜-10¼	10⅜-10¼	10⅜-10¼	10⅝-10½	10¾-10½
Yen	6½-6⅜	6⅝-6½	6¾-6⅝	7⅛-7	7⅜-7¼	7½-7⅜
D. Krone	12⅝-12⅜	12⅜-12⅛	12⅜-12⅛	12⅛-11⅞	11⅞-11⅝	11¾-11½
Asian $Sing	8⅝-8½	8⅝-8½	8⅝-8½	8⅝-8½	8¾-8⅝	8⅞-8¾

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 8⅞-8¾ per cent; four years 9-8⅞ per cent; five years 9⅛-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6440 - 1.6500	1.6480 - 1.6490	0.96-0.94cpm	6.92	2.67-2.64pm	6.44
Canada	1.9350 - 1.9560	1.9465 - 1.9475	0.47-0.39cpm	2.66	1.38-1.27pm	2.74
Netherlands	3.14¼ - 3.16½	3.14¾ - 3.15¾	1¾-1⅝cpm	6.41	4¾-4½pm	5.85
Belgium	58.45 - 58.90	58.45 - 58.55	26-20cpm	4.71	72-58pm	4.43
Denmark	10.81 - 10.88	10.84½ - 10.85½	2¾-2¼orepm	2.76	8¼-7¼pm	2.86
Ireland	1.0525 - 1.0585	1.0575 - 1.0585	0.35-0.30cpm	3.66	0.93-0.83pm	3.45
W. Germany	2.79¼ - 2.81	2.79¾ - 2.80¾	1⅞-1⅝pfpm	7.22	4⅝-4½pm	6.51
Portugal	245.85 - 248.85	247.85 - 248.85	5-40cdis	-1.15	94-178dis	-2.27
Spain	181.70 - 182.80	181.90 - 182.20	7-2cpm	0.26	18-5pm	0.25
Italy	2080¾ - 2090½	2080¾ - 2081¾	5-4lirepm	0.03	13-11pm	0.02
Norway	10.79¾ - 10.84	10.83 - 10.84	3⅜-3orepm	3.75	9⅛-8¼pm	3.40
France	9.49¼ - 9.55¼	9.49¾ - 9.50¾	3⅝-3⅛cpm	4.40	9¼-8⅝pm	3.72
Sweden	10.21½ - 10.24½	10.22 - 10.23	2¾-2orepm	2.79	6-5pm	2.15
Japan	240 - 241¼	240¼ - 241¼	1⅞-1¾ypm	9.05	4¾-4⅝pm	7.80
Austria	19.70 - 19.78	19.74 - 19.77	12¼-11⅜gropm	7.12	34⅛-30⅝pm	6.59
Switzerland	2.48 - 2.50¼	2.48 - 2.49	1¼-1⅛cpm	5.71	3⅜-3¼pm	5.64
ECU	1.3800 - 1.3825	1.3810 - 1.3820	0.49-0.46cpm	4.04	1.30-1.24pm	3.72

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.45-59.55 Six-month forward dollar 5.15-5.10cpm 12 months 9.32-9.22cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6440 - 1.6500	1.6480 - 1.6490	0.96-0.94cpm	6.92	2.67-2.64	6.44
Ireland†	1.5505 - 1.5630	1.5620 - 1.5630	0.52-0.47cpm	3.65	1.43-1.33pm	3.53
Canada	1.1770 - 1.1800	1.1775 - 1.1785	0.41-0.44cdis	-4.32	1.10-1.14dis	-3.80
Netherlands	1.9090 - 1.9275	1.9115 - 1.9125	0.12-0.10cdis	-0.57	0.25-0.30dis	-0.65
Belgium	35.45 - 36.00	35.45 - 35.55	5.30-7.80cdis	-2.16	14.70-22.20dis	-2.31
Denmark	6.56 - 6.61½	6.58 - 6.58½	1.98-2.13oredis	-3.75	5.42-5.91dis	-3.39
W. Germany	1.6910 - 1.7100	1.6960 - 1.6970	0.05-0.03pfpm	0.31	0.04-0.01pm	0.07
Portugal	149.70 - 150.30	149.75 - 149.85	95-115cdis	-8.37	315-365dis	-9.04
Spain	110.45 - 111.15	110.50 - 110.60	57-64cdis	-6.65	185-195dis	-6.74
Italy	1261 - 1271½	1262¼ - 1262¾	4.40-5.00liredis	-4.44	13.20-14.20dis	-4.17
Norway	6.55 - 6.58½	6.57 - 6.57½	1.60-1.85oredis	-3.12	5.15-5.55dis	-3.24
France	5.75½ - 5.81½	5.76¼ - 5.76¾	1.20-1.30cdis	-2.58	3.95-4.10dis	-2.77
Sweden	6.19¾ - 6.23	6.20 - 6.20½	1.84-2.00oredis	-3.75	6.45-6.80dis	-4.35
Japan	145.75 - 146.30	146.00 - 146.10	0.23-0.21ypm	1.75	0.48-0.45pm	1.40
Austria	11.99 - 12.03¼	12.00½ - 12.01	0.80-0.10gropm	0.45	0.50dis-1.40pm	0.15
Switzerland	1.5025 - 1.5230	1.5070 - 1.5080	0.16-0.19cdis	-1.43	0.46-0.51dis	-1.24
ECU	1.1870 - 1.1890	1.1875 - 1.1885	0.28-0.27cpm	2.65	0.85-0.82pm	2.75

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.45-35.55.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6003	+1.03	+1.03	±1.5508
Danish Krone	7.79845	7.88263	+1.08	+1.08	±1.6453
German D-Mark	2.04446	2.03622	-0.40	-0.40	±1.1762
French Franc	6.85684	6.92229	+0.95	+0.95	±1.3618
Dutch Guilder	2.30358	2.29478	-0.38	-0.38	±1.5272
Irish Punt	0.763159	0.768397	+0.69	+0.69	±1.6689
Italian Lira	1529.70	1515.17	-0.95	-0.95	±1.5162
Spanish Peseta	132.889	132.262	-0.47	-0.47	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

TOTAL VOLUME IN CONTRACTS : 47,314

A=Ask B=Bid C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	2304.0	2325.0	2297.0	2321.0
Jun	2347.5	2360.0	2356.0	2364.5
Sep	2387.5			2404.5

Estimated volume 6378 (6043)
Previous day's open int. 23249 (23333)

MONEY MARKETS

A flat yield curve

RATES settled into a flat and steady pattern on the London money market yesterday. Fixed period money from three to 12-months was offered at the same rate of 15¼ per cent. The three-month rate finished unchanged at 15¼-15⅛ per cent, with 12-months at 15¼-15⅛ against 15⅜-15¼ per cent.

The threat of higher bank base rates has faded, in much the same way that optimism about lower rates diminished earlier this month. Friday's UK trade figures remain a worry,

UK clearing bank base lending rate 15 per cent from October 5

but the market suspects that the authorities will be reluctant to raise rates, because Monday's news of falling UK manufacturing production indicates that high rates are already having an impact. A rise in interest rates could also provide upward pressure on wage demands, and sentiment in the City suggests the Government is more likely to tighten fiscal policy in the Budget rather than increase rates.

Trading in short sterling futures was subdued on Liffe. Speculation that a change in base rates is unlikely in the near future left March delivery trading only slightly more contracts than for June. The March contract opened lower at 84.79 and closed at 84.82, little changed from Monday's settlement of 84.81.

The Bank of England forecast a large credit shortage of £950m, and revised this up to £1,000m at noon. Total help of £817m was provided.

In an early round of help the Bank of England bought £176m bills outright, by way of £1m bank bills in band 1 at 14⅞ per cent and £175m bank bills in band 2 at 14¾ per cent. Another £269m bills were purchased before lunch, via £69m bank bills in band 1 at 14⅞ per cent; £25m local authority bills in band 2 at 14¾ per cent; and £175m bank bills in band 2 at 14¾ per cent.

In the afternoon the Bank of England bought £122m bills, through £54m bank bills in band 1 at 14⅞ per cent; £9m Treasury bills in band 2 at 14¾ per cent; and £59m bank bills in band 2 at 14¾ per cent. Late assistance of around £250m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £319m, with Exchequer transactions absorbing £660m, and bank balances below target £55m. These outweighed a fall in the note circulation adding £85m to liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.23) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8⅜	bid 8⁹⁄₁₆	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

Lunchtime

Prime rate	10	One month	7.56	Three year	8.21
Broker loan rate	9¾	Two month	7.89	Four year	8.21
Fed.funds	8¼	Three month	7.93	Five year	8.22
Fed.funds at intervention	-	Six month	7.97	Seven year	8.27
		One year	7.98	10-year	8.31
		Two year	8.19	30-year	8.34

Jan.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	8.00-8.15	7.95-8.10	8.10-8.25	8.30-8.50	8.00
Paris	10⅞-10⅞	10⅝-10¾	-	11-11⅛	-	9.50
Zurich	8⅞-9⅛	9⅛-9½	-	9¼-9½	-	-
Amsterdam	7.75-7.85	8.65-8.75	-	8.80-8.90	-	-
Tokyo	6⅝-6½	6⅞-6⅞	-	6⅞-7	-	-
Milan	12⅞-12⅞	13⅛-13⅜	-	12⅞-13⅛	-	-
Brussels	10.50	10⅜-10½	-	10½-10⅝	-	-
Dublin	11⅞-11⅞	11⅞-12	11⅞-12⅛	11⅞-12⅛	11⅞-12	-

LONDON MONEY RATES

Jan 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	15¼	15⅛	15⅛	15¼	15¼
Interbank Bid	14¾	15	15⅛	15⅛	15⅛	15⅛
Sterling CDs	-	-	15⅛	15⅛	15⅛	14⅞
Local Authority Deps.	14⅞	14⅞	15⅛	15⅛	15⅛	15
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15¼	15⅛
Finance House Deposits	-	-	15⅛	15⅛	15⅛	15⅛
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14¾	-
Fine Trade Bills (Buy)	-	-	15⅛	15¼	14¾	-
Dollar CDs	-	-	8.25	8.25	8.30	8.45
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9¼
SDR Linked Dep. Bid	-	-	8⅞	9	9⅛	9⅛
ECU Linked Dep. Offer	-	-	10⅞	11¼	11⅝	11½
ECU Linked Dep. Bid	-	-	10¾	11⅛	11⅝	11⅜

Treasury Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.5684 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December, 29, 1989. Agreed rates for period January, 24 1990 to February, 25, 1990, Scheme I: 15.90 p.c. Schemes II & III: 16.38 p.c. Reference rate for period Dec.1, 1989 to December, 29, 1989. Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	14	Equatorial Bank plc	15	Provincial Bank PLC	16
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc.	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank Credit & Comm	15	Girobank	15	TSB	15
Bank of Cyprus	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of Ireland	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of India	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Western Trust	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Barclays Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	Hongkong & Shangh	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	Meghraj Bank Ltd	15		
Citibank NA	15	McDonnell Douglas Bnk.	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm. Bk N. East	15	Nat Bk. of Kuwait	15		

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JOTTER PAD

CROSSWORD

No.7,146 Set by MUTT

ACROSS

1 Confirm if the light goes out (6)
4 Tree showing outgrowth to be a metre (8)
9 Shrink in horror from kick (6)
10 End of tour: having followed old poet round the city, present a bottle (8)
11 Number Ten one is backing in New York (6)
12 Hurting again with stretching (8)
13, 25 Read according to custom (6)
14 One of the twins may be under the furniture (6)
17 Unaffected by aunt going berserk, artist left (7)
21 Note to officer: am returning to riding school (6)
25 See 13
26 Wrong pet, a lone animal (8)
27 A debtor can take one measure: cut loose (6)
28 The leather has changed colour (8)
29 California (subject to odd iron deficiency) will arrange to give beauty treatment (6)
30 A picture of Ocean View (8)
31 Will Spindle-shanks find a pub in heaven? (6)

DOWN

1 Evasive action in the bull-ring could be a bloomer (8)
2 Quality inherent in a fruity story? (8)
3 It's not true about the right causing disharmony (8)
5 Over-poetic writer introduced to a beginner (6)
6 Untidy, unclean student to be expelled: will it make a shade of difference? (6)
7 Tie up willingly, perhaps (6)
8 Highway fury – see that!? (6)
12 Repel soldier with beans (7)
15 It's the blame one takes (3)
16 The morning after – hard for an amateur (3)
18 Country boy with conspicuous spot (8)
19 Public tumult dies into fitfulness (8)
20 Some people can go over a score in the mind (8)
22 Services for the proletariat (6)
23 The layers have made a start (6)
24 Minister getting out of vehicle ricocheted (6)
25 Maintenance order reversed: don't fall behind (6)

Solution to Puzzle No.7,145

ANNALIST ADVENT / STAGGERS INVEST / GELATINE STEREO / THEBRONTES / ALLFORLOVE / SOCAGE OBSTACLE / OUTSET CARAVANS / TESTER ADHERENT

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
4pm prices January 23

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
1000	Celanese	$29½	29½	29½	+ ¼
3875	Cen Capital	$11⅛	11	11	− ⅛
111588	CenCap A	$9⅝	9½	9½	+ ⅛
18300	CentFd A	$6⅞	6¾	6⅞	+ ¼
21980	C Guar Tro	$10	9⅞	10	− ⅛
1200	Charan	40	40	40	+ 4
200	Chieftan	$23⅛	23⅛	23⅛	+ ⅛
600	CHUM B f	$21½	21½	21½	
88353	Cineplex	$6⅞	6½	6¾	+ ⅛
3700	Co Steel f	$15⅝	15½	15⅝	+ ⅛
70672	Cominco	$24⅞	24⅝	24⅞	
1590	Interhome	$44⅝	44⅛	44⅛	− ⅜
20200	Inv Grp	$23¼	23½	23½	
985	Ipsco	$16¼	16¼	16¼	+ ½
4250	Iveco A f	$11⅛	11	11⅛	+ ⅛
9300	Jannock	$19	18½	19	− ⅛
500	Kerr Add	$20½	20⅛	20⅛	− ⅛
384900	Labatt	$23¼	22½	22¾	− ¼
508844	Lac Mnrls	$15½	14⅞	15⅜	+ ½
1020	Lafarge p	$21⅝	21⅝	21⅝	+ ⅛
38560	Laidlaw A	$25	24⅝	24⅞	
521956	Laidlw B f	$25	24½	24½	− ⅛
292895	Royal Bnk	$48⅛	47⅛	47⅛	− ½
69154	Ry Trco	$17	16⅝	16⅝	
16670	SHL Systm	$10½	10¼	10½	+ ½
11625	SNC A f	$10⅞	10½	10⅞	
4750	StL CemA f	$16½	16⅛	16⅛	+ ⅛
344396	Saskoil	$14	13⅞	14	
47835	Sceptre	430	415	420	− 45
3794	Scot Paper	$17¾	17⅜	17¾	+ ⅛
54695	Scotts f	$14¼	14⅛	14⅛	− ⅛
200	Scotts C	$14⅞	14⅞	14⅞	
62807	Seagram	$100⅝	99¼	100⅝	+ ½
17044	DomTxtA	$15¼	14⅞	15¼	+ ⅜
1325	Donohue	$10⅝	10¼	10⅝	− ¼
12140	Memotec	$10⅛	10⅛	10⅛	
106653	NatBk Cda	$11⅜	11	11¼	+ ⅛
32765	Noverco	$12⅜	11⅞	12⅜	+ ¼
57185	Power Corp	$15⅞	15⅝	15¾	+ ⅛
2812	Provigo	$9½	9¼	9½	+ ¼
1100	Quebecr A	$14½	14⅜	14⅜	− ¼
2200	Quebecr B	$12⅝	12⅝	12⅝	
10400	Videotron	$14⅜	14⅛	14⅛	+ ⅛

Total Sales 6,278,186 shares.

F–No voting rights or restricted voting rights.

[illegible]

MONTREAL
4pm prices January 23

[illegible]

Total Sales 5,278,166 shares.

INDICES

NEW YORK

DOW JONES	Jan 23	Jan 22	Jan 19	Jan 18	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2615.32	2600.45	2677.90	2666.38	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.90	91.94	92.05	92.08	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1127.67	1128.20	1153.98	1142.43	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.38	219.69	221.77	222.15	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2639.64 (2683.33) Low 2584.01 (2595.27)

STANDARD AND POOR'S	Jan 23	Jan 22	Jan 19	Jan 18	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	331.61	330.38	339.15	338.19	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	381.26	379.68	389.97	388.82	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.55	28.69	29.51	29.58	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	183.60	183.20	187.56	187.07	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.73	360.88	366.08	366.17	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	430.42	431.94	440.88	437.52	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 19	Jan 12	Jan 5	year ago (approx.)
Dow Industrial Div. Yield	3.99	3.96	3.84	3.59

	Jan 17	Jan 10	Jan 3	year ago (approx.)
S & P Industrial div. yield	3.03	2.94	2.86	3.21
S & P Indl. P/E ratio	14.39	14.80	15.19	13.23

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Bank New Eng	4,344,800	3⅛	− ⅝
Citicorp	3,186,000	24¼	+ ⅛
Gen Electric	2,947,900	62¼	− ⅛
Philip Morris	2,341,900	37¼	− ¼
Am T&T	2,232,400	40⅞	+ ⅝
First Cap	2,061,000	6¼	− ⅛
Gulf States Utl	2,011,900	11⅞	− ⅛
Varity Corp	1,803,400	2⅞	—
Waste Mngmnt	1,603,100	31¼	− ¼
Gen Motors	1,485,600	41¼	—

TRADING ACTIVITY

† Volume (Millions)	Jan 23	Jan 22	Jan 19
New York	179.300	148.380	185.590
Amex	13.617	12.935	11.220
NASDAQ	(u)	130.489	152.166
Issues Traded	1,978	1,962	1,949
Rises	659	262	817
Falls	848	1,336	651
Unchanged	471	364	481
New Highs	11	10	18
New Lows	125	109	57

CANADA

TORONTO	Jan 23	Jan 22	Jan 19	Jan 18	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3090.56	3068.08	3115.73	3143.11	3919.2 (1/9/89)	3068.08 (22/1/90)
Composite	3812.68	3801.51	3865.07	3857.39	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1938.28	1932.87	1965.30	1958.21	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common−50; Standard and Poor's−10; and Toronto Composite and Metals−1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 23	Jan 22	Jan 19	Jan 18	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1664.8	1672.3	1673.9	1677.5	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	820.5	832.8	842.2	848.9	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	549.66	555.49	555.97	555.47	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6355.81	6440.65	6449.04	6456.85	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	368.28	369.28	369.38	374.24	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	677.3	672.8	640.0	632.5	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	524.61	534.31	535.1	535.5	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1912.36	1915.82	1924.27	1934.72	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	746.81	747.19	743.78	744.13	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2197.1	2198.0	2188.6	2186.8	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1801.52	1779.30	1773.56	1779.17	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2762.45	2771.65	2776.29	2771.67	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1871.88	1893.10	1881.16	1855.89	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	699.65	701.82	697.38	696.37	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37378.02	37257.01	36836.54	36729.46	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2740.18	2735.85	2701.31	2705.41	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4083.22	4074.60	4065.23	4078.19	4083.22 (23/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	567.25	572.12	574.72	574.09	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tl.Rtn Gen. (End 1983)	251.2	252.2	252.7	250.2	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	192.7	193.5	193.8	191.9	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	754.71	752.44	743.72	737.30	754.71 (23/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1073.71	1079.88	1080.35	1059.25	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	420.17	423.73	421.89	422.78	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2091.0♦	2054.0	2080.0	2161.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2893.0♦	2915.0	2945.0	2989.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	890.52	898.89	868.20	874.81	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	282.60	285.92	286.13	296.49	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	4291.17	4345.10	4380.4	4464.4	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	758.7	762.2	763.4	759.6	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN **						
Weighted Price (30/6/66)	11947.01	11769.32	11422.51	11153.05	11947.01 (23/1/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	875.99	880.41	868.67	862.97	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	536.2	539.6	539.7	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 20: Taiwan Weighted Price: (u) Korea Comp Ex. 872.97
♦ Subject to official recalculation.
Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday January 23 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sharp	20.9m	1,920	+70	Nippon Steel	7.5m	723	-2
Nihon Nissan	11.8m	1,090	+60	Toshiba	6.2m	1,180	0
Sanyo Electric	9.9m	991	+8	Mitsubishi Hvy	5.8m	1,100	-20
Hitachi	9.0m	1,570	+50	Canon	5.7m	1,830	+30
Nikon	8.21m	1,700	+50	Tokyo Steel	5.5m	5,480	+210

4pm prices January 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¾	AAR	.48	1.5	19	184	31⅞	31⅝	31¾	
9⅜	8½	ACM n	1.01	10.		155	9⅝	9½	9⅝	
11⅝	10½	ACMIn	1.26	11.		619	11¼	11	11⅛	– ⅛
9⅞	8	ACM M	n1.01	12.		414	8⅞	8⅝	8¾	– ⅛
12¼	12	ACMMM				144	12	12	12	
11½	10	ACM Sc	1.26	11.		1304	11¼	11	11⅛	
9⅜	8⅛	ACMSp	1.01	11.		697	9⅜	9¼	9¼	
19⅞	11½	AL Lab	.18	.9	18	25	17¾	17½	17½	– ⅛
4⅛	3¼	AMCA	.13e	3.4	9	1	3½	3½	3½	
6⅛	3⅜	AM Intl			8	777	3⅞	3⅜	3⅜	
23½	16⅞	AM In pf	2	11.		58	18⅛	18	18⅛	– ⅛
107¼	52⅞	AMR			6	10163	57½	54¼	57	+2⅜
27	25	ANR pf	2.67	10.		1	25⅝	25⅝	25⅝	– ⅛
24⅞	23⅛	ANR pf	2.12	8.7		1	24⅜	24⅜	24⅜	– ⅛
5⅞	3⅛	ARX				40	3½	3⅜	3½	
63	39	ASA	3a	4.7		3765	u63⅝	61⅞	63½	+1½
70⅞	46¼	AbtLab	1.40	2.1	17	4160	67¼	65¼	66	– ⅝
18¾	11¼	Abitibi g	.50			192	12	11⅞	11⅞	+ ⅛
13	9¼	AcmeC	.40	3.8	12	241	10½	10¼	10½	+ ⅛
33½	22	Acuson			20	366	31⅛	30½	30⅝	– ⅛
16½	12⅞	AdaEx	2.06e	13.		69	15⅜	15¼	15⅜	
13⅞	6⅞	Adobe				156	12⅝	12⅜	12⅝	+ ⅛
27⅝	19⅞	Adob pf	2.40	11.		360	21⅝	21	21⅛	
10½	7⅛	AMD			17	1365	7⅜	7⅛	7⅛	– ⅛
35	29½	AMD pf	3	10.		23	29⅝	29⅜	29⅝	+ ⅛
10⅛	6⅝	Advest	.16	2.3	9	312	7⅛	6¾	6⅞	– ⅛

[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
4¾	2¼	Zapata				384	2⅝	2½	2½	
12½	7¾	Zemex	.20	2.5		2	8	8	8	
21½	10⅞	ZenithE				2782	11	d 9⅞	10½	− ⅛
21½	16¼	ZenNtl	.84	4.7	8	12	18	18	18	
10	6	Zenix	1.08	17.		182	6½	6⅛	6⅛	− ⅛
18½	14¼	Zero s	.40	2.5	15	430	16¼	15⅞	16	− ¼
44¼	25⅝	Zurnin	.76	2.1	17	542	37½	36⅛	36¼	− ⅝
12⅝	10	Zweig	1.21e	11.		721	11⅝	11½	11½	
10	8¾	ZweigTl	.96	9.5		1263	9⅞	9¾	9¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 23

NASDAQ NATIONAL MARKET

3pm prices January 23

AMERICA

Quality of recovery comes into question

Wall Street

AFTER a shaky period in mid-morning, blue chips moved higher, helped by a solid performance on exchanges overseas and some bargain-hunting after the large drop on Monday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 14.87 points higher at 2,615.32 on relatively active volume of 179m shares. The Dow had closed 77.45 points lower on Monday at 2,600.45.

Secondary stocks did less well. The Nasdaq Composite index was quoted 1.52 points lower at 430.42 and the American Stock Exchange Index stood 1.15 points down at 359.73.

The Dow piled on a gain of around 15 points in the opening 15 minutes, then lost that to stand about five points below Monday's close before rallying again.

The loss of confidence in mid-morning was attributed to renewed selling at the high of the day, reflecting continued pessimism about the market's prospects at this level, as well as to rumours, later confirmed, that Hilton Hotels, a long-time takeover candidate, would not sell. Hilton Hotels was quoted $8½ lower at $66. The company announced that it was thinking about alternatives to selling all or part of its assets.

The recovery was not particularly encouraging as the gain represented only a small proportion of the ground lost on Monday. According to technical analysts, it was the mediocre nature of the rebound at the end of last week when the Dow added less than 20 points in the last two sesssions of the week which contributed to the sharp sell-off on Monday.

The rally was also undramatic given an improved performance overseas. In Japan, the Nikkei index registered its third straight advance in spite of the plunge on Wall Street on Monday.

Mr Jeffrey Weiss, a technical analyst at Shearson Lehman Hutton, said that he had become negative on the market in the intermediate term for the first time in many months. He said that he expected the market to hit a major bottom later this year but that the bottom will be below current levels.

He predicted that the Dow would fall through support at 2,580 and drop below 2,500 before the trough is reached.

There were a number of corporate earnings announcements to react to including the news after the market closed on Monday that Merrill Lynch had taken a $470m restructuring charge in the fourth quarter, giving it a record quarterly loss of $361.8m. Merrill Lynch was quoted down $⅝ to $23⅛. The relatively small size of the drop may reflect the fact that, although the charge was much larger than expected, the market is positive about the fact that the company has finally begun to react to its overcapacity.

Morgan Stanley added $2 to $62⅝ on news of a sharp rise in net income in 1989 as well as a 36 per cent increase to its quarterly dividend. Shearson Lehman Hutton dipped $⅝ to $10⅝ after its earnings report which showed a relatively subdued 14 per cent rise in net income between 1988 and 1989.

Southwestern Bell was unchanged at $54¼ on news of a decline in fourth quarter net income to 99 cents a share from $1.07 a year earlier. Borden Chemicals fell $⅝ to $11⅛ after reporting fourth quarter net of 11 cents a share, well below year ago levels and below analysts' forecasts.

Merck rose $1⅜ to $72⅛ on earnings which were roughly in line with forecasts and General Electric added $⅛ to $63⅝ on earnings which were also in line with forecasts.

Canada

AN EARLY rally in Toronto fizzled out and the market closed mixed in active trading.

The composite index, which had been ahead about 20 points, rose 11.17 to 3,812.68 but declines led advances 354 to 303. Volume of 30.470m shares was higher than Monday's 26,212m shares.

Gold issues gained 2.10 per cent on higher international gold prices. In that group, Placer Dome advanced C$⅜ to C$24, Echo Bay Mines rose C$⅜ to C$22¾ and American Barrick was up C$⅜ to C$20.

A harder side to the soft landing, Page 24.

Cyprus moves on from Petris the barber

Kerin Hope visits Nicosia, where an official stock exchange is being planned

BACK IN Nicosia's days as a British colony, share trading was run by Petris the barber, whose shop was strategically situated between the Bank of Cyprus and the Alhambra café where the island's wealthiest merchants drank their coffee.

While lathering and clipping *his customers, Petris* negotiated prices, mostly of Bank shares, and handed over certificates, all on a strictly unofficial basis.

Cyprus now boasts a flourishing over-the-counter market, where 30 local issues are listed and six professional brokers trade daily by telephone. Plans to set up an official stock exchange are well advanced, with draft legislation already submitted to Parliament. The informal atmosphere survives, however, and Bank of Cyprus shares are still highly rated.

Prices climbed to record levels last year. The Cisco index, issued weekly, rose from 154.7 at the start of the year to 188.7 at the end of December, a 22 per cent rise. Last week, it reached a record of 197.6, led by the tourism and manufacturing sectors.

"Cyprus has become an *emerging* market. *There is* steadily growing interest, both in floating issues and among investors," says Mr Socrates Solomides, general manager of the Cyprus Investment and Securities Corporation, a Bank of Cyprus subsidiary which employs two full-time traders.

Six new issues were launched last year, raising 12m Cyprus pounds ($25.7m), while another C£14m came from listed companies' issuing of new rights. That raised total market capitalisation to C£275m, of which banks, insurance and financial services companies account for C£155m.

After the Turkish invasion of 1974 split the island into separate Greek and Turkish Cypriot sectors, the Greek Cypriots developed tourism and manufacturing in the south. Although economic growth slowed in the early 1980s, it *still averages more than 5 per* cent annually. "The family-run companies are going public in order to raise the large amounts of capital they need to expand," Mr Solomides says.

Tax incentives help: corporation tax for companies which go public is cut from 42.5 to 25 per cent for 10 years. Investors are entitled to C£600 annually in dividends, tax-free.

The over-the-counter market is regulated by the Cyprus Chamber of Commerce, which also holds a 90-minute public trading session once a month in one of its conference rooms. Volume averaged more than C£70,000 a session last year.

"As well as boosting trading, it's designed to help the market develop by educating the public. All sorts of people turn up," says Mr Nontas Metaxas, *the Chamber official who over*sees the market.

In addition, Cyprus television has been airing advertisements encouraging people to buy shares. But the response is still limited "by natural Cypriot caution and the fact that an official stock exchange doesn't visibly exist," says Mr Louis Clappas, a private broker.

Things may change when the stock exchange law is passed later this year. The brokers, who want flexibility to be retained, are worried about government interference in the future. But the Finance Ministry insists that the market must be established on a sound footing.

"The market runs on common sense and self-regulation at the moment, but it needs a solid legal framework to develop correctly," says Mr *Frixos Sorokos, director of the* ministry investments division.

The brokers say that for the Cyprus market to offer adequate investment potential, listings must double. At the same time, exchange controls should be loosened so that foreigners and non-resident islanders, such as the prosperous London Cypriot community, can invest more easily, they argue. At present, each such share transaction must be individually approved by the Central Bank of Cyprus.

EUROPE

Continentals win some compensation

WALL STREET'S overnight performance gave continental bourses a bad start yesterday, and most of them ended lower. But there was the occasional compensation, *writes Our Markets Staff.*

FRANKFURT began lower, and some German dealers – who had sold short on London's retreat on Monday – were on the way to a profit. But then London international investment houses came up with a rumour of a settlement in the metalworkers' pay talks and the market moved up on that, with surprising decision.

The FAZ index was only 0.38 lower at 746.81 at midsession, and the DAX closed the day 22.22 higher at 1,801.52. Volume soared from DM4.6bn to DM8.9bn as three groups of buyers came in: London professionals, German funds and the German jobbers, who had to cover their positions. Earlier worries about Soviet unrest were put to one side yesterday.

IG Metall, the metalworkers' union, then denied any intention of settling for a 5.4 per cent rise; it is asking for 9, and a reduction in working hours. *The lower figure would have* been broadly neutral in the context of a 3 to 3½ per cent inflation rate and a 2 per cent productivity gain; but, in retrospect, IG Metall settled its last three-year contract relatively cheaply, and does not want to be caught a second time.

Shares of the day included Volkswagen, up DM12 at DM542 on a massive East German project; and Continental, the tyre group, which was associated with this project in the market, rising DM8.50 more to DM325. However Porsche, the subject of much speculation recently, fell DM8 to DM1,012 ahead of today's results.

Elsewhere, Bayer's 1989 performance boosted both its own shares, up DM3.50 at DM305, and the market as a whole after the IG Metall rumour was denied. Nixdorf rose DM6.30 to DM301 as wise heads associated the Siemens bid for control with Nixdorf's announcement of labour cuts, and its ability to manage itself better in future.

PARIS turned round during the day, regaining most of the ground it had lost earlier after Wall Street's overnight decline. The CAC 40 closed 3.46 down at 1,912.36 after opening 31 points lower.

There was some good quality buying, but it was not widespread. Turnover was estimated at a level similar to Monday's at FFr2.8bn – reasonably active for the last day of the monthly account.

Société Bic, the consumer goods company, rose FFr32 to FFr775 after reporting 1989 sales up 14 per cent. The foods group, BSN, added FFr3 to FFr737; its announcement of a rise in turnover last year came late in the session.

Société Générale gained FFr17 to FFr515 on fairly good volume. Active stocks included Peugeot, ending unchanged at FFr733 after an earlier fall of FFr16, and Michelin, off FFr1.50 at FFr166.

AMSTERDAM kept a close watch on overseas markets and closed mixed as Frankfurt rose, London held and Wall Street opened higher. A firm domestic bonds market also supported stocks, but a lower dollar acted as a counterweight. The CBS tendency index edged up 0.3 to 113.5.

Amev, the insurer, gained 90 cents to Fl 57.90 after Monday's news that it was taking full control of VSB, the savings bank, through a share swap.

MILAN looked dull, the Comit index easing 2.17 to 699.65, and turnover showing no improvement at about L200bn, compared with L350bn to L370bn earlier this month.

However, it had its moments. Pirelli & C, holding company of the Pirelli group, rose L192 during the session and another L110 after hours to L10,005, for a three-day rise of L485 and a 14 per cent gain since the beginning of the month. Fiat results came after hours, with profits marginally ahead of forecast.

STOCKHOLM was beset by worries about Wall Street, the Swedish banking dispute, rising domestic interest rates and a higher-than-expected current account deficit. The Affärsvärlden General index lost 14.8 points, or 1.2 per cent, to 1,237.4, recovering from a sharper fall earlier in the day. Turnover was thin at SKr191m.

Banks have threatened to lock out employees from Monday, while Sweden's current account deficit increased to SKr5.6bn in November, compared with expectations of SKr3.2bn.

Falling nickel prices sent Trelleborg, the rubber, mining and mineral group, SKr3 down to SKr157, its lowest level for a year.

BRUSSELS ended sharply lower as the cash market index lost 84.84, or 1.3 per cent, to 6,355.81 for a four-day decline of 2.1 per cent.

Blue chips and chemical shares were particularly hard hit. Chemicals group Solvay fell BFr425, or 2.9 per cent, to BFr14,050 francs. Tessenderlo lost BFr100 to BFr9,500 and the oil, gas, and petrochemical giant, Petrofina, shed BFr100 to end at BFr12,025.

HELSINKI continued to focus on the forestry sector, as Rauma-Repola said it had raised its stake in United Paper Mills to 13 per cent. UPM ordinary restricted shares were unchanged at FM250, after surging to FM352, and its preferred free shares gained FM4 to FM164, after touching FM203.

The Unitas general index gained 4.5 to 677.3 in turnover of FM365m, down from Monday's FM500m.

MADRID weakened in response to the overnight plunge on Wall Street. The general index lost 3.32, or more than 1 per cent, to 282.60 in light turnover.

SOUTH AFRICA

JOHANNESBURG gold shares recovered from early lows as the bullion price held on to gains and the financial rand weakened. Vaal Reefs rose by R11 to R425.

ASIA PACIFIC

Bonds rally helps Nikkei recover in volatile session

Tokyo

EQUITIES fell sharply in early trading yesterday in response to Monday's downturn on Wall Street, but they recovered later, pushed up by a modest rally in the Tokyo bond market, *writes Stefan Wagstyl in Tokyo.*

In a day of light and volatile trading, both stock and bond prices swung around widely. The Nikkei index of 225 leading stocks was down 232.50 in the first 15 minutes of trading, but eventually closed 121.01 up at 37,378.02. The day's high was 37,379.49 and the low 37,018.04.

Bonds were also down at the start but later recovered.

Traders said that stock prices were initially depressed by the news from New York, combined with a further weakening of the yen in foreign currency markets. But investors took heart from a rally in bonds, which was inspired partly by unsubstantiated rumours of a cease-fire agreement between warring Azerbaijani and Armenian militias in Soviet Azerbaijan.

Sentiment also improved as fears proved groundless that the Japanese postal life insurance organisation, a huge institutional investor, might sell large amounts of bonds.

Nevertheless, the general mood was cautious, with investors worried about the crisis in the Soviet Union and by the uncertain outlook for the Japanese general election, which is expected to be called tomorrow by Mr Toshiki Kaifu, the prime minister.

While the ruling Liberal Democratic Party is expected to retain control of the Diet's dominant lower house, it may only be able to do so through deals with independent members, and possibly with one or more small opposition parties.

Investors are also concerned about the possibility of further increases in interest rates in Japan, in order to prop up the yen and to ward off the threat of domestic inflation. While bonds have firmed in the last few days, yields are still considerably higher than the 5.7 per cent seen near the end of last year.

Mr Simon Smithson of Kleinwort Benson International, an arm of the UK merchant bank, said: "The market is fragile. It moves on rumours, and rumours of rumours."

Most investors stayed on the sidelines. Turnover on the Tokyo Stock Exchange was a modest 500m shares in the first section. Stocks which fell matched advances at 467 to 466, and 186 shares were unchanged. The Tokyo Stock Exchange index of all listed issues gained 4.33 to 2,740.18 in the first section and 8.62 to 4,083.22 in the second section. In London, the ISE/Nikkei 50 index added 0.76 to 2,054.73.

The biggest buying interest was in high-technology stocks, especially those related to companies making liquid crystal screens. Sharp rose Y70 to a new high of Y1,920 and Dainippon Screen was up Y70 at Y1,880. Sony, TDK and Fanuc all gained ground, as did NEC and Hitachi.

Domestic demand-related shares such as construction, railway and steel issues were down on profit-taking, among them Daisue Construction, which shed Y30 to Y1,280, and Ando Construction, which fell back Y30 to Y1,470.

On the Osaka Stock Exchange, volume was 49m shares as the OSE average rose 163.43 to 38,251.70.

Roundup

FOREIGN influences were strong in Asia Pacific regions, with Wall Street and Tokyo pulling shares in opposite directions, but there were domestic preoccupations.

AUSTRALIA finished a volatile session only slightly lower, as confirmation of an easing of monetary policy helped to trim early losses, which had followed Wall Street's plunge.

The All Ordinaries index closed 7.5 down at 1,664.8; it fell almost 25 points in early trading before rebounding to stand 6 points higher after news that the Government would allow interest rates to fall.

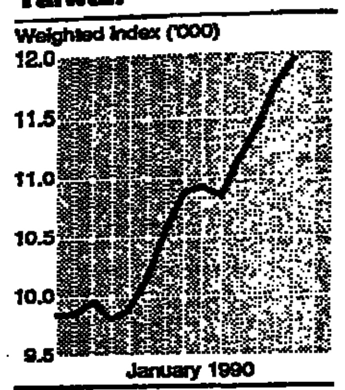
The rise in Tokyo and a steep fall in the Australian dollar also lifted shares off their lows, but profit-taking wiped out any gains. Turnover was 85m shares worth A$215m, down a little from Monday's 94m and A$227m.

TAIWAN rose to another record on the last session before the seven-day new year holiday. Profit-taking restricted gains, however, as the weighted index closed 177.69 points, or 1.5 per cent, higher at 11,947.01, after reaching 12,045.09 earlier. Volume rose to 1.36bn shares from Monday's 1.04bn.

Large banks made the best gains, with Chang Hwa Commercial Bank up NT$33 at NT$775 and First Commercial Bank NT$45 higher at NT$802.

Taiwan

Weighted index ('000)



January 1990

SEOUL fell back in busy trading after Monday's advance. The composite index lost 8.37 to 890.52 in trading of 17.4m shares worth 383bn won.

The index of financial shares, which accounted for about 30 per cent of total trading volume, *fell by about* 1.3 per cent after its 4 per cent rise on the previous day.

NEW ZEALAND retreated in response to the US market fall, with the Barclays index off 29.49 at 1,947.82. Volume grew to 8.4m shares worth NZ$14.7m, up from Monday's 2.1m and NZ$4.4m.

HONG KONG eased but closed above its day's lows on buying by local institutions and optimism about Tokyo's rebound. The Hang Seng index ended 9.20 lower at 2,762.45, after opening with a 26-point loss. Turnover declined even further to HK$432m from Monday's HK$457m.

SINGAPORE fell prey to profit-taking amid worries about Wall Street, although it rose above its lows in response to a buoyant Tokyo. The Straits Times industrial index lost 14.68 to 1,520.73.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 23 1990						MONDAY JANUARY 22 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	151.97	−2.2	136.68	129.48	−0.3	5.26	155.40	140.53	129.87	160.41	128.28	152.34
Austria (19)	206.59	−0.5	185.80	183.18	−1.2	1.33	207.69	187.81	185.45	219.85	92.84	96.99
Belgium (61)	152.38	−0.3	137.05	133.41	−1.6	4.19	152.85	138.22	135.51	160.02	125.58	135.56
Canada (120)	144.48	+0.7	129.94	123.24	+0.3	3.25	143.51	129.77	122.88	154.17	124.67	132.27
Denmark (36)	244.66	+0.9	220.04	219.04	−0.3	1.44	242.56	219.35	219.72	250.34	165.35	157.67
Finland (26)	145.39	+2.3	130.75	122.58	+1.8	2.55	142.17	128.56	120.46	159.16	118.63	194.49
France (125)	149.89	+1.1	134.80	135.55	−0.4	2.78	148.29	134.09	136.13	157.97	112.57	117.26
West Germany (96)	123.84	+1.5	111.38	109.23	+0.0	1.92	122.05	110.37	109.27	130.32	79.56	85.79
Hong Kong (48)	113.69	−0.5	102.24	113.99	−0.5	5.00	114.24	103.30	114.54	140.33	86.41	120.37
Ireland (17)	197.36	−0.6	177.50	177.98	−2.0	2.44	198.57	179.56	181.68	198.57	125.00	131.98
Italy (96)	99.78	+1.2	89.74	94.08	−0.3	2.44	98.62	89.18	94.36	102.11	74.97	84.31
Japan (455)	183.46	+0.3	165.00	169.37	+0.1	0.48	182.91	165.40	169.27	200.11	164.22	195.82
Malaysia (36)	226.71	−0.5	203.89	236.05	−0.6	2.27	227.91	206.09	237.47	238.21	143.35	149.27
Mexico (13)	331.38	−0.8	298.03	977.54	−0.7	0.53	334.08	302.11	984.40	337.02	153.32	161.24
Netherland (43)	136.34	+1.1	122.62	118.98	−0.3	4.53	134.79	121.89	119.35	145.66	110.63	114.14
New Zealand (18)	71.85	−2.7	64.62	62.93	−1.7	5.60	73.83	66.76	64.02	88.18	62.64	70.27
Norway (24)	215.01	+0.3	193.37	191.81	−0.3	1.42	214.27	193.76	192.31	219.26	139.92	158.13
Singapore (26)	184.24	−1.0	165.70	159.70	−0.8	1.82	186.12	168.31	161.03	189.94	124.57	133.40
South Africa (60)	213.39	−0.7	191.91	160.87	+0.2	3.46	214.81	194.25	160.54	229.41	115.35	127.48
Spain (43)	153.85	+0.5	138.37	128.85	−0.3	4.11	153.10	138.44	129.20	169.75	143.14	148.20
Sweden (35)	190.44	−0.2	171.27	174.86	−1.0	1.96	190.74	172.48	176.55	206.95	138.45	147.38
Switzerland (62)	95.17	+1.1	85.59	88.94	−0.5	2.01	94.13	85.13	89.38	99.12	67.81	77.39
United Kingdom (306)	154.47	+0.3	138.92	138.92	−0.3	4.55	154.03	139.29	139.29	164.31	133.28	143.09
USA (542)	134.23	+0.3	120.72	134.23	+0.3	3.49	133.84	121.03	133.84	146.29	112.13	117.26
Europe (989)	139.74	+0.7	125.68	124.73	−0.3	3.42	138.73	125.46	125.14	146.68	112.63	117.34
Nordic (121)	189.66	+0.4	170.57	164.91	−0.5	1.73	188.85	170.78	165.71	198.12	137.95	143.99
Pacific Basin (667)	179.70	+0.2	161.62	165.72	+0.0	0.74	179.37	162.20	165.67	194.72	160.44	190.91
Euro−Pacific (1656)	163.91	+0.4	147.41	149.38	−0.1	1.67	163.29	147.67	149.52	174.18	141.56	161.46
North America (662)	134.74	+0.3	121.18	133.55	+0.3	3.48	134.32	121.47	133.16	146.66	112.79	118.07
Europe Ex. UK (683)	129.37	+1.0	116.35	115.88	−0.4	2.88	128.06	115.80	116.32	134.66	96.30	101.26
Pacific Ex. Japan (212)	134.45	−1.6	120.92	120.07	−0.5	4.81	136.64	123.56	120.65	140.05	111.93	132.11
World Ex. US (1849)	163.81	+0.4	147.32	148.87	−0.1	1.73	163.21	147.59	148.99	173.77	141.49	160.10
World Ex. UK (2085)	152.03	+0.4	136.73	144.42	+0.1	2.06	151.50	137.00	144.33	162.00	136.98	143.70
World Ex. So. Af. (2331)	151.86	+0.4	136.57	143.75	+0.0	2.27	151.32	136.84	143.71	161.84	136.67	143.73
World Ex. Japan (1936)	137.64	+0.4	123.79	130.79	+0.0	3.51	137.13	124.00	130.77	145.52	114.51	118.52
The World Index (2391)	152.23	+0.3	136.91	143.87	+0.0	2.28	151.71	137.19	143.82	162.05	136.68	143.63

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